SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1996

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
for transition period from to

Commission file number 0-17154

QUAKER CHEMICAL CORPORATION
(Exact name of Registrant as specified in its charter)

A Pennsylvania Corporation	No. 23-0993790
(State or other jurisdiction of incorporation or organization)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
Elm and Lee Streets, Conshohocken, Pennsylvania	19428
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (610) 832-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each Exchange on which registered
Common Stock, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the Registrant. (The aggregate market value is computed by reference to the last reported sale on the New York Stock Exchange on March 14, 1997): $131,288,722.50.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date: 8,624,581 shares of Common Stock, $1.00 Par Value, as of March 14, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 1996 are incorporated into Parts I and II.

(2) Portions of the Registrant's definitive Proxy Statement dated March 27, 1997 in connection with the Annual Meeting of Shareholders to be held on May 7, 1997 are incorporated into Part III.

The exhibit index is located on page 13.

PART I

As used in this Report, the term "Quaker," unless the context otherwise requires, means Quaker Chemical Corporation, its subsidiaries, and associated companies.

Item 1. Business.

General Description

Quaker develops, produces, and markets a broad range of formulated chemical specialty products for various heavy industrial and manufacturing applications and, in addition, offers and markets chemical management services, including recycling services. Quaker's principal products and services include: (i) rolling lubricants (used by manufacturers of steel in the hot and cold rolling of steel and by manufacturers of aluminum in the cold rolling of aluminum); (ii) corrosion preventives (used by steel and metalworking customers to protect metal during manufacture, storage, and shipment); (iii) metal finishing compounds (used to prepare metal surfaces for special treatments such as galvanizing and tin plating and to prepare metal for further processing); (iv) machining and grinding compounds (used by metalworking customers in cutting, shaping, and grinding metal parts which require special treatment to enable them to tolerate the manufacturing process); (v) forming compounds (used to facilitate the drawing and extrusion of metal products); (vi) paper production products (used as defoamers, release agents, softeners, debonders, and dispersants); (vii) hydraulic fluids (used by steel, metalworking, and other customers to operate hydraulically activated equipment); (viii) products for the removal of hydrogen sulfide in various industrial applications; (ix) chemical milling maskants for the aerospace industry; (x) construction products such as flexible sealants and protective coatings for various applications; and (xi) programs to provide recycling and chemical management services.

Substantially all of Quaker's sales worldwide are made directly through its own sales force. Quaker sales persons visit the plants of customers regularly, and through training and experience, identify production needs which can be resolved or alleviated either by adapting Quaker's existing products or by applying new formulations developed in Quaker's laboratories. Sales personnel may call upon Quaker's regional managers, product managers, and members of its laboratory staff for assistance in obtaining and setting up product tests and evaluating the results of such tests. In 1996, certain products were also sold in Canada, Korea, and India by exclusive licensees under long-term royalty agreements. Generally, separate manufacturing facilities of a single customer are served by different sales personnel.

Competition

The chemical specialty industry is composed of a number of companies of similar size as well as companies larger and smaller than Quaker. Quaker cannot readily determine its precise position in every industry it serves. Based on information available to Quaker, however, it is estimated that Quaker holds a dominant position (among a group in excess of 25 other suppliers) in the market for process fluids used in the production of hot and cold rolling of steel. Many competitors are in fewer and more specialized product classifications or provide different levels of technical services in terms of specific formulations for individual customers. Competition in the industry is based primarily on the ability to provide products which meet the needs of the customer and render technical services and laboratory assistance to customers and, to a lesser extent, on price.

Major Customers and Markets

During 1996, Quaker's five largest customers (each composed of multiple subsidiaries or divisions with semi-autonomous purchasing authority) accounted for approximately 14% of its consolidated net sales with the largest of these customers accounting for approximately 4% of consolidated net sales. Furthermore, a significant portion of Quaker's revenues are realized from the sale of process fluids to manufacturers of hot and cold rolling steel, and, therefore, Quaker is subject to the same business cycles as those experienced by these manufacturers and their customers (the majority of which are automobile, appliance, and durable good manufacturers or in the construction industry).

Raw Materials

Quaker uses over 500 raw materials, including mineral oils, fats and fat derivatives, ethylene derivatives, solvents, surface active agents, chlorinated paraffinic compounds, and a wide variety of organic and inorganic compounds. In 1996, only one raw material accounted for as much as 11% of the total cost of Quaker's raw material purchases. Many of the raw materials used by Quaker are "commodity" chemicals, and, therefore, Quaker's earnings can be affected by market changes in raw material prices caused by factors beyond Quaker's control. Quaker has multiple sources of supply for most materials, and management believes that the failure of any single supplier would not have a material adverse effect upon its business.

Patents and Trademarks

Quaker has a limited number of patents and patent applications, including patents issued, applied for, or acquired in the United States and in various foreign countries, some of which may prove to be material to its business. Principal reliance is placed upon Quaker's proprietary formulae and the application of its skills and experience to meet customer needs. Quaker's products are identified by trademarks which are registered throughout its marketing area. Quaker makes little use of advertising but relies heavily upon its reputation in the markets which it serves.

Research and Development--Laboratories

Quaker's research and development laboratories are directed primarily toward applied research and development since the nature of Quaker's business requires continuing modification and improvement of formulations to provide chemical specialties to satisfy customer requirements. Incorporated by reference is the information contained under the caption "Research and Development Costs" appearing in Note 1 to Notes to Consolidated Financial Statements on page 23 of the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Quaker maintains quality control laboratory facilities in each of its manufacturing locations. In addition, Quaker maintains in Conshohocken, Pennsylvania, laboratory facilities which are devoted primarily to applied research and development.

Most of Quaker's subsidiaries and associates also have laboratory facilities. Although not as complete as the Conshohocken laboratories, these facilities are generally sufficient for the requirements of the customers being served. If problems are encountered which cannot be resolved by local laboratories, such problems may be referred to the corporate laboratory staff, which also defines and supervises corporate research projects.

Approximately 157 persons, of whom 87 have B. S. degrees and 31 have B.S. and advanced degrees, are employed in Quaker's laboratories.

Number of Employees

On December 31, 1996, Quaker's consolidated companies had 835 full-time employees of whom 375 were employed by the parent company and its U.S. subsidiaries and 460 were employed by its non-U.S. subsidiaries. Associated non-U.S. companies of Quaker (in which it owns 50% or less) employed 232 people on December 31, 1996.

Product Classification

Incorporated by reference is the information concerning product classification by markets served appearing under the caption "Supplemental Financial Information" on page 34 of the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Non-U.S. Activities

Incorporated by reference is the information concerning non-U.S. activities appearing in Note 9 to Notes to Consolidated Financial Statements on page 29 of the Registrant's 1996 Annual Report to Shareholders and under the caption "General" of the Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations which appears on page 16 of the aforementioned Annual Report, the incorporated portions of which are included as Exhibit 13 to this Report. Since significant revenues and earnings are generated by its non-U.S. operations, Quaker's financial results are affected by currency fluctuations, particularly between the U.S. dollar and the Dutch guilder.

Item 2. Properties.

Quaker's principal facilities in the United States are located in Conshohocken, Pennsylvania and Detroit, Michigan. Quaker's non-U.S. subsidiaries own facilities in Woodchester, England; Uithoorn, The Netherlands; Villeneuve, France; and Santa Perpetua de Mogoda, Spain and lease small sales facilities in other locations. All of these facilities are owned mortgage free. Financing for the Technical Center in Conshohocken, Pennsylvania was arranged through the use of industrial revenue and development bonds with an outstanding balance at December 31, 1996 of $5,000,000.

Quaker's aforementioned facilities consist of various manufacturing, administrative, warehouse, and laboratory buildings. Substantially all of the buildings are of fire-resistant construction and are equipped with sprinkler systems. All facilities are primarily of masonry and/or steel construction and are adequate and suitable for Quaker's present operations. The Company has a program to identify needed capital improvements which will be implemented as management considers necessary or desirable. Most locations have various numbers of raw material storage tanks ranging from 6 to 63 having a capacity from 500 to 80,000 gallons each and processing or manufacturing vessels ranging in capacity from 50 to 12,000 gallons each. Manufacturing and warehouse facilities located in Conshohocken, Pennsylvania, were closed in 1996 but are being maintained in a state of readiness that will permit resuming operations in all or some of such facilities if necessary or desirable.

In order to facilitate compliance with applicable federal, state, and local statutes and regulations relating to occupational health and safety and protection of the environment, the Company has an ongoing program of site assessment, currently directed primarily to facilities in the United States for the purpose of identifying capital expenditures or other actions that may be necessary to comply with such requirements. The program includes periodic inspections of each facility in the United States by Quaker and/or independent environmental experts, as well as ongoing inspections by on-site personnel. Such inspections are addressed to operational matters, record-keeping, reporting requirements, and capital improvements. In 1996, capital expenditures directed solely or primarily to regulatory compliance amounted to approximately $200,000.

Quaker's executive offices are located in a four-story building containing a total of approximately 47,000 square feet. A Technical Center containing approximately 28,700 square feet houses the laboratory facility. Both of these facilities are adjacent to Quaker's manufacturing facility in Conshohocken.

Quaker's 50% or less owned non-U.S. associates own or lease a plant and/or sales facilities in various locations.

Item 3. Legal Proceedings.

On or about October 24, 1996, Petrolite Corporation and its subsidiary, Petrolite Holdings, Inc. (collectively, "Petrolite"), filed a Demand for Arbitration with the American Arbitration Association and a Petition with the Circuit Court for the County of St. Louis, State of Missouri, against the Registrant and certain of its subsidiaries (collectively, the "Company"). The actions arise from a Technology Purchase Agreement (the "Agreement") between Petrolite and the Company dated April 13, 1993, as amended, pursuant to which the Company sold various assets, including a patent (the "Patent"), to Petrolite for a purchase price of approximately $8.5 million plus an obligation to pay royalties. In a suit brought by Petrolite against Baker Hughes, Inc., et al. for infringement of the Patent, the United States District Court for the Western District of Oklahoma (No. CIV-94-311-M) affirmed by the United States Court of Appeals for the Federal Circuit (No. 95-1447) declared all of the claims of the Patent invalid as a result of sales allegedly made by the Company more than one year prior to the filing of the Patent application. In its actions against the Company, Petrolite seeks damages in an unspecified amount, rescission of the Agreement, costs, and other relief. The Company believes that it has complete and meritorious defenses to the Petrolite actions and intends to vigorously defend the actions and deny liability and to pursue a claim against Petrolite for royalties. The bases for the Company's position include, but are not limited to, the Company specifically made no representations or warranties with respect to the validity of the Patent, all sales made by the Company prior to filing the Patent application were disclosed to Petrolite prior to closing under the Agreement, and the findings made by the Court in Petrolite's suit with Baker Hughes, Inc. were the result of the failure of Petrolite's counsel to take certain required actions in the handling of the case.

The Company is a party to other proceedings, cases, and requests for information from, and negotiations with, various claimants and federal and state agencies relating to various matters including environmental matters, none of which is expected to result in monetary sanctions in an amount or in an award that would have a material adverse effect on the Company's results of operations or financial condition. For information concerning pending asbestos-related cases against a nonoperating subsidiary and amounts accrued associated with certain environmental investigatory and noncapital remediation costs, refer to Note 11 of Notes to Consolidated Financial Statements which appears on page 30 in the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the last quarter of the period covered by this Report.

Item 4(a). Executive Officers of the Registrant.

Name	Office (since)	Age	Year First Elected as an Executive Officer
Peter A. Benoliel	Chairman of the Board (1980)	65	1963
Ronald J. Naples	President and Chief Executive Officer (1995)	51	1995
Thomas F. Kirk	Vice President and Chief Financial Officer (1996)	51	1996
Jose Luiz Bregolato	Vice President-South America (1993)	51	1993
Daniel S. Ma	Vice President-Asia/Pacific (1995)	56	1995
Marcus C. J. Meijer	Vice President-Europe (1990)	49	1990
Joseph F. Virdone	Vice President-U.S. Commercial Operations (1996)	52	1996

Messrs. Benoliel and Meijer have served as officers of the Registrant for more than the past five years. Prior to his election as an officer of the Registrant, Mr. Bregolato served as Financial Consultant and Administrative Director of Fabrica

Carioca de Catalisadores, S.A. to which he was appointed in 1985. Prior to his election as an officer of the Registrant, Mr. Ma was Managing Director, Asia/Pacific Region, to which he was appointed in 1993 and was Business Manager, PPG Industries from 1991 to 1993. Prior to his election as President and Chief Executive Officer, effective October 2, 1995, Mr. Naples served as Chairman of the Board and Chief Executive Officer of Hunt Manufacturing Company until April 6, 1995, a position held for over five years. Mr. Naples has been a Director of the Registrant since 1988. Prior to his election as Vice President and Chief Financial Officer of Registrant, Mr. Kirk was employed by Rhone-Poulenc, Inc., Princeton, New Jersey, where he served as Senior Vice President and Chief Financial Officer and prior to this as Vice President Corporate Planning and Development and Assistant to the Senior Vice Presidents of Planning, and Finance for Rhone-Poulenc, S.A., Paris, France. Prior to his election as an officer of the Registrant, Mr. Virdone served as Industry Manager-Steel since August 15, 1994. Prior to that date, Mr. Virdone was employed by FMC Corporation as National Sales Director-Industrial Chemicals and also served in various consulting capacities.

Mr. Benoliel will retire as Chairman of the Board of the Registrant on May 7, 1997. On such date, Mr. Naples will assume the position of Chairman of the Board of the Registrant in addition to his position as President and Chief Executive Officer of the Registrant. Mr. Benoliel will remain as a Director of the Registrant and will serve as Chairman of the Executive Committee.

There is no family relationship between any of the Registrant's Executive Officers. Each officer is elected for a term of one year.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Incorporated by reference is the information appearing under the caption "Stock Market and Related Security Holder Matters" on page 34 of the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 6. Selected Financial Data.

Incorporated by reference is the information appearing under the caption "Eleven-Year Financial Information" on pages 32 and 33 of the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference is the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 16 through 18 of the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 8. Financial Statements and Supplementary Data.

Incorporated by reference is the information appearing on pages 19 through 34 of the Registrant's 1996 Annual Report to Shareholders, the incorporated portions of which are included as Exhibit 13 to this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Incorporated by reference is the information beginning immediately following the caption "Election of Directors" to, but not including, the caption "Executive Compensation" contained in the Registrant's definitive Proxy Statement to be filed no later than 120 days after the close of its fiscal year ended December 31, 1996 (the "1997 Proxy Statement") and the information appearing in Item 4(a) on pages 6 and 7 of this Report.

Section 16(a) Beneficial Ownership Reporting Compliance.

Based solely on the Company's review of certain reports filed with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act"), as amended, and written representations of the Company's officers and directors, the Company believes that all reports required to be filed pursuant to the 1934 Act with respect to transactions in the Company's Common Stock through December 31, 1996 were filed on a timely basis except for one filing on Form 4 covering one transaction each for Patricia C. Barron and Ronald J. Naples.

Item 11. Executive Compensation.

Incorporated by reference is the information beginning immediately following the caption "Executive Compensation" to, but not including, the caption "Compensation/Management Development Committee Report on Executive Compensation" contained in the Registrant's 1997 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated by reference is the information beginning immediately following the caption "Security Ownership of Certain Beneficial Owners and Management" to, but not including, the caption "Election of Directors" contained in the Registrant's 1997 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

No information is required to be provided in response to this Item 13.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Exhibits and Financial Statement Schedules

1. Financial Statements

The following is a list of the Financial Statements and related documents which have been incorporated by reference from the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1996, as set forth in Item 8:

Consolidated Statement of Operations

Consolidated Balance Sheet

Consolidated Statement of Cash Flows

Consolidated Statement of Shareholders' Equity

Notes to Consolidated Financial Statements

Report of Independent Accountants

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Financial statements of 50% or less owned companies have been omitted because none of the companies meets the criteria requiring inclusion of such statements.

3. Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3(a) -- Amended and Restated Articles of Incorporation.

3(b) -- By-Laws. Incorporated by reference to Exhibit 3(b) to Form 10-Q as filed by the Registrant for the quarter ended June 30, 1993.

4 -- Shareholder Rights Plan. Incorporated by reference to Form 8-K as filed by the Registrant on February 20, 1990.

10(a) -- Long-Term Performance Incentive Plan as approved May 5, 1993. Incorporated by reference to Exhibit 10(a) as filed by the Registrant with Form 10-K for the year 1993.

10(b) -- Employment Agreement by and between Registrant and Peter A. Benoliel. Incorporated by reference to Exhibit 10(b) as filed by Registrant with Form 10-K for the year 1989.*

10(h) -- Documents constituting employment contract by and be tween Quaker Chemical Europe B.V. and M. C. J. Meijer. Incorporated by reference to Exhibit 10(h) as filed by Registrant with Form 10-K for the year 1993.*

10(i) -- Employment Agreement by and between the Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.*

10(j) -- Amendment to the Stock Option Agreement by and between the Registrant and Ronald J. Naples. Incorporated by reference to Exhibit 10(i) as filed by Registrant with Form 10-Q for the quarter ended September 30, 1995.*

- 10(l) -- Employment Agreement by and between Registrant and Daniel S. Ma, incorporated by reference to Exhibit 10(l) as filed by Registrant with Form 10-K for the year 1995.*
- 10(m) -- Employment Agreement by and between Registrant and Thomas F. Kirk.*
- 10(n) Deferred Compensation Plan as adopted by the Regis trant on July 10, 1996.
- 13 -- Portions of the 1996 Annual Report to Shareholders incorporated by reference.
- 21 -- Subsidiaries and Affiliates of the Registrant.
- 23 -- Consent of Independent Accountants.
- 27 -- Financial Data Schedule.

* A management contract or compensatory plan or arrangement required to be filed as an exhibit to this Report.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Registrant during the last quarter of the period covered by this Report.

(c) The exhibits required by Item 601 of Regulation S-K filed as part of this Report or incorporated herein by reference are listed in subparagraph (a)(3) of this Item 14.

(d) The financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

QUAKER CHEMICAL CORPORATION
Registrant

Date: March 27, 1997 By: RONALD J. NAPLES
Ronald J. Naples
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Capacity	Date
RONALD J. NAPLES Ronald J. Naples President and Chief Executive Officer	Principal Executive Officer and Director	March 27, 1997
THOMAS F. KIRK Thomas F. Kirk Vice President and Chief Financial Officer	Principal Financial Officer	March 27, 1997
PETER A. BENOLIEL Peter A. Benoliel, Chairman of the Board	Director	March 27, 1997
JOSEPH B. ANDERSON, JR. Joseph B. Anderson, Jr.	Director	March 27, 1997
PATRICIA C. BARRON Patricia C. Barron	Director	March 27, 1997
WILLIAM L. BATCHELOR William L. Batchelor	Director	March 27, 1997
LENNOX K. BLACK Lennox K. Black	Director	March 27, 1997
EDWIN J. DELATTRE Edwin J. Delattre	Director	March 27, 1997
ROBERT P. HAUPTFUHRER Robert P. Hauptfuhrer	Director	March 27, 1997
FREDERICK HELDRING Frederick Heldring	Director	March 27, 1997
ROBERT H. ROCK Robert H. Rock	Director	March 27, 1997
ALEX SATINSKY Alex Satinsky	Director	March 27, 1997

EXHIBIT INDEX

Exhibit No.	Description
3(a)	Amended and Restated Articles of Incorporation
10(m)	Employment Agreement by and between Registrant and Thomas F. Kirk
10(n)	Deferred Compensation Plan as adopted by the Registrant on July 10, 1996
13	Portions of the 1996 Annual Report to Shareholders Incorporated by Reference
21	Subsidiaries and Affiliates of the Registrant
23	Consent of Independent Accountants
27	Financial Data Schedule

ARTICLES OF INCORPORATION
(as amended July 16, 1990)

OF

QUAKER CHEMICAL CORPORATION

1. The name of the Corporation is: Quaker Chemical Corporation.

2. The location of its registered office in the Commonwealth of Pennsylva nia is: Elm and Lee Streets, Conshohocken, PA 19428.

3. The statute by or under which it was incorporated is: Act of April 29, 1874.

4. The date of its incorporation is: October 20, 1930.

5. (a) The authorized capital stock of the Corporation is 30,000,000 shares of Common Stock, $1 par value per share, and 10,000,000 shares of Preferred Stock, $1 par value per share.[1]

(b) l. (A) Except as provided in subparagraph (b) l. (B) of this Article 5, a holder of Common Stock shall be entitled to one (1) vote on each matter submitted to a vote of shareholders (whether such vote shall be taken at a meeting of shareholders or by consent in writing) for each share of Common Stock held of record by such holder as of the record date for such vote (the record date of the meeting of the shareholders or the date of the consent in writing, as the case may be, is hereinafter referred to as the "Record Date").

(B) A holder of Common Stock shall be entitled to ten (10) votes on each matter submitted to a vote of shareholders (whether such vote shall be taken at a meeting of shareholders or by consent in writing) for each share of Common Stock held of record by such holder as of the Record Date which meets one or both of the following criteria: (i) such share of Common Stock has had the same beneficial owner since May 7, 1987, or (ii) such share of Common Stock has had the same beneficial owner for at least thirty-six (36) consecutive calendar months (dating from the first day of the first full month on or after the date the holder acquired beneficial ownership of such share) prior to the Record Date.

____
[1] 100,000 preferred shares designated Series "A" pursuant to February 7, 1990 Board of Directors resolution.

(C) Each share of Common Stock, whether at any particular time the holder thereof is entitled to exercise ten (10) votes or one (1) vote, shall be identical to all other shares of Common Stock in all other respects and together all shares of Common Stock shall constitute a single class of shares of the Corporation.

2. For the purpose of determining the "beneficial owner" or "beneficial ownership" of a share of Common Stock and any changes thereof under subparagraph (b) l. (B) of this Article 5, the following shall apply:

(A) Except as otherwise provided in this Article 5, the terms "beneficial owner" or "beneficial ownership" shall be defined in accordance with Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on the date of the adoption of this Article by the shareholders of the Corporation. Notwithstanding the preceding sentence, subparagraph (d)(i) of such Rule 13d-3 shall not apply.

(B) A share of Common Stock held of record on a Record Date shall be presumed to be owned beneficially by the record holder and for the period shown by the shareholder records of the Corporation. A share of Common Stock held of record on a Record Date in "street" or "nominee" name or by a broker, clearing agency, voting trustee, bank, trust company or other nominee shall be presumed to have been acquired by the beneficial owner thereof subsequent to May 7, 1987 and to have had the same beneficial owner for a period of less than thirty-six (36) consecutive months prior to such Record Date. The foregoing presumptions shall be rebuttable upon presentation to the Corporation, in accordance with such procedures as shall be established by the Corporation as provided in subparagraph (b) 3. of this Article 5, of satisfactory evidence to the contrary.

(C) No change in beneficial ownership of a share of Common Stock shall be deemed to have occurred with respect to any of the following events: (i) upon the transfer of such share by gift, devise, bequest or otherwise through the laws of inheritance or descent; or by a trustee to a trust beneficiary under the terms of the trust; or (ii) upon the appointment of a successor trustee, guardian or custodian with respect to such share; or (iii) upon the transfer of record or the transfer of a beneficial interest or interests in such share where the circumstances surrounding such transfer clearly demonstrate that no material change in beneficial ownership has occurred.

(D) A share of Common Stock acquired by the holder as a result of a stock split, stock dividend, reclassification or other distribution of shares by the Corporation with respect to an existing share of Common Stock shall be deemed to have been acquired and held continuously by such holder on and from the date on which the existing share was acquired.

3. All determinations concerning a change in beneficial ownership of Common Stock or the absence thereof, shall be made by the Corporation. Written procedures designed to enable such determinations to be made, shall be established and may be periodically amended by the Corporation. Such procedures shall provide among other things, the method and type of proof that will be accepted by the Corporation and the frequency with which such proof will be required. The Corporation and any transfer agent of shares of Common Stock may rely on any information concerning the beneficial ownership of Common Stock coming to their attention from any source and in any manner reasonably deemed by them to be reliable. Neither the Corporation nor any such transfer agent, however, shall be charged with any other knowledge concerning the beneficial ownership of Common Stock.

4. Notwithstanding anything in any Article of the Articles of Incorporation of the Corporation to the contrary, each reference, in said Articles of Incorporation to a proportion of outstanding shares of "capital stock" shall refer and mean such proportion of the votes entitled to be cast by such shares.

(c) The shares of Preferred Stock may be divided into and issued from time to time in one or more series as may be designated by the Board of Directors of the Corporation, each such series to be distinctly titled and to consist of the number of shares designated by the Board of Directors. All shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon (if any) shall accrue or be cumulative (or both). The designations, relative rights, preferences and limitations of any series of Preferred Stock may differ from those of any and all other series at any time outstanding. The Board of Directors may change the designation or number of shares, or the preferences, relative rights and limitations of the shares, of any theretofore established series of Preferred Stock, no shares of which have been issued. The Board of Directors of the Corporation is hereby expressly vested with authority to determine by resolution the preferences, relative rights and limitations of the Preferred Stock and each series thereof which may be designated by the Board of Directors, including, but without limiting the generality of the foregoing, the following:

l. The voting rights and powers (if any) of the Preferred Stock and each series thereof;

2. The rates and times at which, and the terms and conditions on which, dividends (if any) on Preferred Stock and each series thereof, will be paid, and any dividend preferences or rights of cumulation;

3. The rights (if any) of holders of Preferred Stock, and each series thereof, to convert the same into, or exchange the same for shares of other classes (or series of classes) of capital stock of the Corporation and the terms and conditions for each conversion or exchange, including provisions for adjustment of conversion or exchange prices or rates in events as the Board of Directors shall determine:

4. The redemption rights (if any) of the Corporation and times at which the terms and conditions on which Preferred Stock and each series thereof may be redeemed; and

5. The rights and preferences (if any) of the holders of Preferred Stock, and each series thereof, upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation.

(d) No holders of any class of stock of the Corporation shall have any preemptive or preferential right of subscription to any shares of any class of stock of the Corporation, whether now or hereafter authorized, and such stock may be sold or issued to such person or persons as the Board of Directors may determine.

6. Shareholders' cumulative voting rights for the election of Directors are eliminated and denied.

7. The number of directors of the Corporation shall be fixed from time to time in the manner provided in the By-Laws. The directors shall be divided into three classes: Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors. At the annual meeting of shareholders in 1983, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of shareholders beginning in 1984, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting in the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death,

resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors shall be filled by a majority of the Board of Directors in office, and any other vacancy occurring in the Board of Directors shall be filled by a majority of the directors in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

A director may be removed with or without cause only by the affirmative vote of the holders of at least eighty (80%) percent of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Notwithstanding the foregoing, whenever the holders of any class of stock (other than Common Stock) issued by the Corporation shall have the right, voting separately as a class or otherwise, to elect directors, then the authorized number of directors of the Corporation shall be increased by the number of additional directors to be elected, and the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of these Articles of Incorporation applicable thereto.

Notwithstanding any other provisions of these Articles of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the By-Laws of the Corporation), the affirmative vote of the holders of at least eighty (80%) percent of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provisions inconsistent with, this Article 7.

8. Special meetings of the shareholders may be called by the Chairman of the Board or the President and shall be called by the Secretary when directed by the Board of Directors or by the written request of the holders of at least eighty (80%) percent of the outstanding shares of capital stock of the Corporation entitled to vote at such meeting.

Notwithstanding any other provisions of these Articles of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the By-Laws of the Corporation), the affirmative vote of the holders of at least eighty (80%) percent of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provisions inconsistent with this Article 8.

9. I. In addition to any affirmative vote required by Pennsylvania law or any other provision of these Articles of Incorporation, the affirmative vote of the holders of not less than eighty (80%) percent of the outstanding shares of "Voting Stock" of the Corporation (as hereinafter defined), voting together as a single class, shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) involving a "Related Person" (as hereinafter defined); provided, however, that the eighty (80%) percent voting requirement shall not be applicable if:

(A) The "Continuing Directors" of the Corporation (as hereinafter defined) by a two-thirds vote have expressly approved the Business Combination either in advance of or subsequent to the acquisition of outstanding shares of Voting Stock of the Corporation that caused the Related Person to become a Related Person; or

(B) If the following conditions are satisfied:

(1) The aggregate amount of the cash and the fair market value, as determined by two-thirds of the Continuing Directors, of the property, securities or other consideration to be received per share of capital stock of the Corporation in the Business Combination by holders of capital stock of the Corporation, other than the Related Person involved in the Business Combination, is not less than the "Highest Per Share Price" or the "Highest Equivalent Price" (as these terms are hereinafter defined) paid by the Related Person in acquiring any of its holdings of the Corporation's capital stock; and

(2) A proxy or information statement complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall have been mailed to all shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). The proxy or information statement shall contain at the front thereof, in a prominent place, the position of the Continuing Directors as to the advisability (or inadvisability) of the Business Combination and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by the Continuing Directors as to the fairness of the terms of the Business Combination from the point of view of the holders of the outstanding shares of capital stock of the Corporation other than any Related Person.

II. For purposes of this Article 9:

(A) The term "Business Combination" shall mean (i) any merger or consolidation of the Corporation or a subsidiary of the Corporation into or with a Related Person, in each case irrespective of which corporation or company is the surviving entity; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with a Related Person (in a single transaction or a series of related transactions) of all or a "Substantial Part" (as hereinafter defined) of the assets of the Corporation (including without limitation any securities of a subsidiary) or of a subsidiary of the Corporation; (iii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition to or with the Corporation or to or with a subsidiary of the Corporation (in a single transaction or series of related transactions) of all or a Substantial Part of the assets of a Related Person; (iv) the issuance of any securities of the Corporation or of a subsidiary of the Corporation to a Related Person (other than an issuance of securities which is effected on a pro rata basis to all shareholders of the Corporation); (v) any recapitalization or reclassification of securities (including any reverse stock split) of the Corporation which would have the effect, directly or indirectly, of increasing the proportionate share of the outstanding Voting Stock of the Corporation owned by a Related Person; (vi) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of a Related Person; and (vii) the acquisition by the Corporation or by a subsidiary of the Corporation of any securities of a Related Person.

(B) The term "Related Person" shall mean any individual, corporation, partnership or other person or entity (other than any subsidiary of the Corporation and other than any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or a subsidiary of the Corporation) which, as of the record date for the determination of shareholders entitled to notice of and to vote on any Business Combination, or immediately prior to the consummation of such transaction, together with its "Affiliates" and "Associates" (as defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect at the date of the adoption of this Article by the shareholders of the Corporation (collectively and as so in effect, the "Exchange Act")), are "Beneficial Owners" (as defined in Rule 13d-3 of the Exchange Act) in the aggregate of ten (10%) percent or more of the outstanding shares of Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity.

(C) The term "Substantial Part" shall mean assets having a fair market value, as determined by two-thirds of the Continuing Directors, of more than twenty (20%) percent of the total consolidated assets of the Corporation and its subsidiaries taken as a whole, as of the end of its most recent fiscal year ending prior to the time the determination is being made.

(D) Without limitation, any shares of Voting Stock of the Corporation that any Related Person has the right to acquire at any time (notwithstanding that Rule 13d-3 of the Exchange Act deems such shares to be beneficially owned only if such right may be exercised within 60 days) pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed to be beneficially owned by the Related Person and to be outstanding for purposes of subparagraph (B) above.

(E) For the purposes of subparagraph (B)(1) of paragraph I of this Article 9, the term "other consideration to be received" shall include, without limitation, Common Stock or other capital stock of the Corporation retained by shareholders of the Corporation other than Related Persons or parties to such Business Combination in the event of a Business Combination in which the Corporation is the surviving corporation.

(F) The term "Voting Stock" shall mean all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors and each reference to a proportion of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(G) The term "Continuing Director" shall mean a director who was a member of the Board of Directors of the Corporation at the date of the adoption of this Article by the shareholders of the Corporation, together with each director who either (i) was a member of the Board of Directors immediately prior to the time that the Related Person involved in a Business Combination became the Beneficial Owner of ten (10%) percent of the Voting Stock of the Corporation, or (ii) was designated (before his or her initial election as director) as a Continuing Director by a majority of the then Continuing Directors.

(H) A Related Person shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Related Person became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Related Person under the foregoing definition of Related Person, if the price paid by such Related Person for such shares is not determinable by the Continuing Directors, the price so paid shall be deemed to be the higher of (i) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (ii) the market price of the shares in question at the time when the Related Person became the Beneficial Owner thereof.

(I) The terms "Highest Per Share Price" and "Highest Equivalent Price" as used in this Article 9 shall mean the following: If there is only one class of capital stock of the Corporation issued and outstanding, the Highest Per Share Price shall mean the highest price that can be determined to have been paid at any time by the Related Person for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Highest Equivalent Price shall mean with respect to each class and series of capital stock of the Corporation, the amount determined by two-thirds of the Continuing Directors, on whatever basis they believe is appropriate, to be the highest per share price equivalent of the highest price that can be determined to have been paid at any time by the Related Person for any share or shares of any class or series of capital stock of the Corporation. In determining the Highest Per Share Price and Highest Equivalent Price, appropriate adjustments shall be made for recapitalizations and for stock splits, stock dividends and like distributions or transactions, and all purchases by the Related Person shall be taken into account regardless of whether the shares were purchased before or after the Related Person became a Related Person. Also, the Highest Per Share Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees paid by the Related Person with respect to the shares of capital stock of the Corporation acquired by the Related Person. In the case of any Business Combination with a Related Person, the Continuing Directors should determine the Highest Equivalent Price for each class and series of the capital stock of the Corporation.

III. Notwithstanding any other provisions of these Articles of Incorporation or the By-Laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the By-Laws of the Corporation), the affirmative vote of the holders of at least eighty (80%) percent of the outstanding shares of Voting Stock of the Corporation, voting together as a single class, shall be required to amend, alter, change or repeal, or adopt any provisions inconsistent with, this Article 9.

EXHIBIT 10(m)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made and entered into as of the 1st day of April 1996, by and between QUAKER CHEMICAL CORPORATION, a Pennsylvania corporation (hereinafter referred to as "QUAKER"), and THOMAS F. KIRK (hereinafter referred to as "KIRK").

W I T N E S S E T H:

WHEREAS, QUAKER wishes to employ KIRK, and KIRK wishes to be employed by QUAKER.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. QUAKER agrees to employ KIRK, and KIRK agrees to serve as Vice President and Chief Financial Officer of QUAKER. He shall perform all duties consistent with such position as well as any other duties which are assigned to him from time to time by the Board of Directors or President of QUAKER. KIRK covenants and agrees that he will, during the term of this Employment Agreement or any extension or renewal thereof, devote his knowledge, skill, and working time solely and exclusively to the business and interests of QUAKER.

2. The term of KIRK's employment shall continue until December 31, 1996 and continuing thereafter until either party hereto shall have given the other at least ninety (90) days' written notice of a desire to terminate.

3. QUAKER shall pay to KIRK and KIRK shall accept an annual rate of salary as set forth in Exhibit A attached hereto, payable semi-monthly, during the term of this Employment Agreement or any extension or renewal thereof.

4. KIRK shall participate in such QUAKER Incentive Programs as described and set forth in Exhibit A. As an Officer of QUAKER, the particulars of Exhibit A may be amended by the Board of Directors at any time as to any matter set forth therein including rate of annual salary, eligibility to participate in any given QUAKER incentive plan, the level of participation in any QUAKER incentive plan, and the terms and conditions of any QUAKER incentive plan. Any changes to Exhibit A shall not affect any of the other terms and conditions hereof including, without limitation, the provisions of Paragraphs 7 through 9. For the purposes of this Agreement, the term "QUAKER Incentive Program" shall refer to each individual as well as the combined incentive programs approved by the Board of Directors. Revisions to Exhibit A shall become effective upon notification in writing by QUAKER and KIRK's acceptance by his signature on the notification.

5. (a) With respect to Quaker's Long-Term Performance Incentive Plan (the "Incentive Plan"), KIRK shall be eligible to participate in the 1995-1998 performance award period under the terms and conditions of the Incentive Plan. In connection therewith, he has been granted (i) Stock Options to purchase 20,000 shares (to be priced as of KIRK's first day of employment) and (ii) 10,000 Performance Incentive Units which shall have the same stated value and performance

program targets as those applicable to other senior salaried officers for Performance Incentive Units awarded for the same performance award period.

(b) KIRK shall be entitled to four (4) weeks vacation per year, beginning the calendar year 1996, paid holidays, and such other employee benefits, including insurance, medical benefits, profit sharing, and retirement benefits as are made generally available to all senior QUAKER salaried officers as a garoup. In addition, KIRK shall be eligible to participate in Quaker's Supplemental Retirement Income Program.

(c) QUAKER shall reimburse KIRK for all reasonable expenses incurred by KIRK on behalf of QUAKER in the course of KIRK's employment under this Employment Agreement, provided that such expenses shall have been approved by QUAKER in accordance with such expense reimbursement procedures as shall be adopted by QUAKER. In addition, QUAKER shall provide for KIRK's use a cellular phone, and QUAKER will reimburse KIRK for all business-related calls.

6. In the event of the death of KIRK while this Employment Agreement is in effect and as to which no notice of termination has been given by either party, QUAKER shall (i) continue to pay a sum of money equal to the salary that would have been paid to him for four months following his death just as if he were living, and (ii) QUAKER shall pay a death benefit equal to his then current annual salary plus $30,000 to be paid in three equal payments, without interest, on the 16, 28, and 40 month anniversary of the date of his death. Payments made pursuant to this Paragraph 6 shall be made to the person or persons who may be designated by KIRK,

in writing, and, in the event he fails to so designate to whom payments shall be made, payments shall be made to KIRK's personal representatives.

7. KIRK acknowledges that information concerning the method and conduct of QUAKER's (and any affiliates') business, including, without limitation, strategic and marketing plans, budgets, corporate practices and procedures, financial statements, customer and supplier information, formulae, formulation information, application technology, manufacturing information, and laboratory test methods and all of QUAKER's (and any affiliates') manuals, documents, notes, letters, records, and computer programs are QUAKER's (and/or QUAKER's affiliates', as the case may be) trade secrets ("Trade Secrets") and are the sole and exclusive property of QUAKER (and/or QUAKER's affiliates, as the case may be). KIRK agrees that at no time during or following his employment with QUAKER will he use, divulge, or pass on, directly or through any other individual or entity, any Trade Secrets. Upon termination of KIRK'S employment with QUAKER, or at any other time upon QUAKER's request, KIRK agrees to forthwith surrender to QUAKER any and all materials in his possession or control which include or contain any such Trade Secrets. The words "Trade Secrets" do not include information already known to the public through no act or failure to act on the part of KIRK, required by law to be disclosed, or which can be clearly shown to have been known by KIRK prior to the commencement of his employment with QUAKER.

8. KIRK agrees that during his employment and for a period of one (1) year thereafter, regardless of the reason for the termination of KIRK's employment hereunder, he will not:

(a) directly or indirectly, together or separately or with any third party, whether as an individual proprietor, partner, stockholder, officer, director, joint venturer, investor, or in any other capacity whatsoever actively engage in business or assist anyone or any firm in business as a manufacturer, seller, or distributor of specialty chemical products or chemical management services which are the same, like, similar to, or which compete with the products and services offered by QUAKER (or any of its affiliates);

(b) recruit or solicit any employee of QUAKER or otherwise induce such employee to leave the employ of QUAKER or to become an employee or otherwise be associated with his or any firm, corporation, business or other entity with which he is or may become associated; and

(c) solicit, directly or indirectly, for himself or as agent or employee of any person, partnership, corporation, or other entity (other than for QUAKER) any then or former customer, supplier, or client of QUAKER with the intent of actively engaging in business which would cause competitive harm to QUAKER.

KIRK acknowledges and agrees that all of the foregoing restrictions are reasonable as to the period of time and scope. However, if any paragraph, sentence, clause, or other provision is held invalid or unenforceable by a court of competent and relevant jurisdiction, such provision shall be deemed to be modified in a manner consistent with the intent of such original provision so as to make it valid and enforceable, and this Agreement and the application of such provision to persons and circumstances other than those with respect to which it would be invalid or unenforceable shall not be affected thereby. KIRK agrees and recognizes that in the event of a breach or threatened breach of the provisions of the restrictive covenants contained in Paragraph 7 or in this Paragraph 8, QUAKER may suffer irreparable harm, and monetary damages may not be an adequate remedy. Therefore, if any breach occurs or is threatened, in addition to all other remedies available to QUAKER at law or in equity, QUAKER shall be entitled as a matter of right to specific performance of the covenants of QUAKER contained herein by way of temporary or permanent injunctive relief. In the event of any breach of the restrictive covenant contained in this Paragraph 8, the term of the restrictive covenant specified herein shall be extended by a period of time equal to that period beginning on the date such violation commenced and ending when the activities constituting such violation cease.

9. (a) Definitions. For the purposes of this agreement, the following definitions shall apply and will be used:

(i) "Act" means the Securities Exchange Act of 1934, as amended;

(ii) "QUAKER's Common Stock" means shares of Common Stock, $1.00 par value, of QUAKER;

(iii) "Termination for Cause" means KIRK's employment with QUAKER shall have been terminated by QUAKER by reason of either:

(1) The willful and continued failure by KIRK to execute his duties under this Employment Agreement; or

(2) The willful engaging by KIRK in a continued course of misconduct which is materially injurious to QUAKER, monetarily or otherwise.

KIRK shall have been given notice thereof from QUAKER's Board of Directors and an opportunity (with counsel) to be heard by said Board of Directors, and the Board of Directors shall have made a reasonable and good faith finding that KIRK was guilty of the conduct set forth in clause (1) or (2) hereof.

(iv) "Termination for Good Reason" means KIRK's employment with QUAKER shall have been terminated by KIRK by reason of a material change announced or promulgated by QUAKER in the terms, conditions, duties, compensation, or benefits of KIRK's employment with QUAKER and not agreed to by KIRK.

(b) The purpose of this Paragraph 9 is to reinforce and encourage the continued dedication and attention of KIRK to KIRK's assigned duties under this Employment Agreement without distraction as a result of circumstances which may arise from the possibility of a change of control or an attempt to change the control of QUAKER.

(i) Upon the occurrence of a "First Event," QUAKER will deposit in an escrow account at CoreStates Bank, N.A. (or such other bank as QUAKER may hereafter designate) (the "Bank") an amount equal to KIRK's then current annual salary for an eighteen (18) month period ("Termination Pay"). A First Event for the purposes of this Agreement shall mean any one of the following events.

(1) Shares of QUAKER's Common Stock are acquired (other than directly from QUAKER in exchange for cash or property) by any person (as used in Sections 13 and 14 of the Act) other than a person who is a present Officer or Director of QUAKER, who thereby becomes the beneficial owner (as defined in Rule 13d-3 under the Act) of more than 10% of the issued and outstanding shares of QUAKER's Common Stock.

(2) Any person, firm, or corporation (including a shareholder of QUAKER) makes a tender offer or exchange offer for, or a request or invitation for tenders or exchanges of, shares of QUAKER's Common Stock.

(ii) If a "Second Event" shall occur and thereafter (but within three (3) years after date of the occurrence of the First Event) KIRK's employment with QUAKER shall terminate for a reason other than (1) KIRK's death, (2) KIRK's normal retirement for age, (3) KIRK's physical or mental disability in accordance with prevailing QUAKER policy, (4) by QUAKER as a Termination for Cause, or (5) by KIRK other than as a Termination for Good Reason, KIRK may demand that the Bank pay KIRK the Termination Pay (the "Demand").

A "Second Event" for the purposes of this Agreement shall mean any of the following events occurring after a First Event:

(1) A new Director of QUAKER is elected in an election in which the acquirer of the shares or the offeror or the requester voted, in person or by proxy, and such new Director was not nominated as a candidate in a proxy

statement forwarded to shareholders by QUAKER's management prior to the occurrence of the First Event.

(2) More than 20% of the issued and outstanding shares of QUAKER's Common Stock are owned by one person (as used in Sections 13 and 14 of the Act) other than a person who is a present Officer or Director of QUAKER.

(3) During any period of two (2) consecutive calendar years, individuals who at the beginning of such period constitute QUAKER's Board of Directors cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by QUAKER's shareholders of each new Director was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who were Directors at the beginning of the two (2) year period.

(iii) After the receipt of the Demand, the Bank will pay KIRK the Termination Pay in eighteen (18) equal consecutive monthly installments, the first such installment to be paid within thirty (30) days from the date of the demand. KIRK shall not be required to diminish the amount of any payment to which he is entitled under this subparagraph (c) by seeking other employment or otherwise, nor shall the amount of any payment provided for in this subparagraph (c) be reduced by any compensation earned by KIRK as the result of employment by another employer after the date of termination.

(iv) QUAKER may withdraw the deposited Termination Pay if three (3) years elapse from the date of deposit thereof and if no demand has been made. If, prior to the expiration of said three (3) year period, there shall occur another First Event, QUAKER will not be required to make an additional deposit of Termination Pay, but the three (3) year period described herein shall be deemed to commence on the date of the occurrence of the last such First Event.

(v) QUAKER shall pay the usual and customary charges of the Bank for acting as escrow agent. QUAKER will be entitled to the payment of any and all interest and other income earned by the Bank through the investment of the deposited Termination Pay. Said interest shall be paid to QUAKER as earned. The escrow arrangement may be subject to the Bank's usual rules and procedures, and QUAKER will indemnify the Bank against any loss or liability for any action taken by it in good faith as escrow agent.

10. In the event that QUAKER, in its sole discretion and at any time terminates this Agreement with KIRK (other than for Termination for Cause), QUAKER agrees to provide KIRK with reasonable out-placement assistance and a severance payment (contingent upon KIRK executing a form of release satisfactory to Quaker) that shall be equal to but not less than (i) eighteen (18) months' salary calculated at KIRK'S then current rate, if such termination occurs within three (3) years of the date first written above or (ii) if such termination occurs afater the initial three (3) years of employment, an amount equal to three (3) months salary calculated at KIRK's then current rate plu an additional one (1) month for each additional year of employment (calculated from the date first written above) up to a maximum of twelve (12) months' compensation.

11. Termination. This Employment Agreement also can be terminated at any time by "Termination for Cause" or "Termination for Good Reason" as defined in Paragraph 9.

12. KIRK represents and warrants to QUAKER that:

(a) there are no restrictions, agreements, or understandings whatsoever to which KIRK is a party which would prevent or make unlawful his execution of this Employment Agreement or his employment hereunder; and

(b) his execution of this Employment Agreement and his employment hereunder shall not constitute a breach of any contract, agreement, or understanding, oral or written, to which he is a party or by which he is bound.

13. This Employment Agreement contains all the agreements and understandings between the parties hereto with respect to KIRK's employment by QUAKER and supersedes all prior or contemporaneous agreements with respect thereto and shall be binding upon and for the benefit of the parties hereto and their respective personal representatives, successors, and assigns. This Employment Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to any conflict of laws.

IN WITNESS WHEREOF, QUAKER has caused this Employment Agreement to be signed by its President, thereunto duly authorized, and its corporate seal to be hereunto affixed and attested by its Corporate Secretary, and KIRK has hereunto set his hand and seal all as of the day and year first above written.

ATTEST: QUAKER CHEMICAL CORPORATION
[SEAL]

_____________________________	By:_________________________________
Karl H. Spaeth	Ronald J. Naples
Corporate Secretary	President and Chief Executive Officer

WITNESS:

_____________________________	_____________________________________
	Thomas F. Kirk

EMPLOYMENT AGREEMENT

EXHIBIT A

Effective:

Name of Employee:	Thomas F. Kirk
Address:	9 Shadowstone Lane Lawrenceville, New Jersey 08648
Title:	Vice President and Chief Financial Officer
Term of Employment:	To December 31, 1996 and continuing thereafter until either party gives ninety (90) days' written notice of termination
Annual Rate of Salary at Starting Date:	$225,000
NOTE:	Future salary increases will be based primarily on perfor mance and will not be unreasonably constrained by Quaker's salary structure.

Participation in Quaker Incentive Programs for 1996 Only:

Incentive Bonus Plan

Bonus will be based on the newly-adopted Incentive Bonus Plan
Business Unit - Corporation -- 48% of mid-point
Discretionary - 12% of mid-point
Incentive Award Amount - 60% of mid-point - $109,600

For the year 1996 only, the Incentive Bonus payable will not be less than $21,923.

Long-Term Performance Incentive Plan 1995-1998

Type of stock options offered - Qualified and Non-Qualified Stock Options
Number of shares subject to option - 20,000
Performance Units - 10,000
Option price per share - Closing price on the first day of employment Participation under and subject to the terms of a Stock Option Agreement

QUAKER CHEMICAL CORPORATION

DEFERRED COMPENSATION PLAN FOR EXECUTIVE OFFICERS

Preamble

This Plan is an unfunded deferred compensation arrangement for a select group of management or highly-compensated personnel and all rights hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The purpose of the Plan is to allow eligible Executive Officers to defer the receipt of all or a portion of their compensation until such date as is specified herein.

ARTICLE I

Definitions

"Board" means the Board of Directors of Quaker or any duly constituted committee thereof.

"Quaker" means Quaker Chemical Corporation, a Pennsylvania corporation, and its corporate successors.

"Fiscal year" or "year" (unless otherwise specified) means Quaker's fiscal year as now constituted or as it may be changed hereafter from time to time.

"Participant" means an Executive Officer of Quaker or of a Subsidiary, designated by the Chief Executive Officer of Quaker for participation in the Plan.

"Plan" means this Deferred Compensation Plan for Executive Officers as it may be amended from time to time.

"Subsidiary" means a company of which Quaker owns, directly or indirectly, at least a majority of the shares having voting power in the election of directors.

ARTICLE II

Designation of Participants and Deferred Compensation Agreements

Section 2.01. From time to time, the Chief Executive Officer of Quaker shall specify:

(a) The name of each Executive Officer who shall be entitled to participate in the Plan; and

(b) The amount or percentage of compensation otherwise payable to the Participant which may be deferred until such Participant's retirement, termination of employment, disability or death.

Section 2.02. Quaker and each Executive Officer eligible to participate in the Plan pursuant to Section 2.01 hereof shall enter into a written agreement, substantially in the form attached hereto or Exhibit "A" ("Deferred Compensation Agreement"), which shall contain the terms and conditions of the Participant's deferral arrangement with the Company, which terms and conditions shall be consistent with the terms of the Plan and the specifications of the Board. In the event of any inconsistency or discrepancy between the terms of the Plan and any Deferred Compensation Agreement, the terms of the Deferred Compensation Agreement shall control.

ARTICLE III

Deferred Payments, Investments, and Forfeitures

Section 3.01. Quaker shall cause an account to be kept in the name of each Participant which shall reflect the value of the deferred benefits payable under the Deferred Compensation Agreement. Alternatively, Quaker may establish a trust for the purpose of holding and investing the compensation deferred pursuant to the Deferred Compensation Agreement. Any such trust shall be in substantially the same form as the trust established under the trust agreement attached hereto as Exhibit "B" ("the "Trust").

Section 3.02. Title to and beneficial ownership of any assets, whether cash or investments, which Quaker may set aside, earmark or place into trust hereunder, shall at all times remain the assets of Quaker; no Participant or beneficiary shall under any circumstances acquire any property interest in any specific assets of Quaker or a Trust.

Section 3.03. The provisions of each Agreement and Trust shall determine the time and manner of the distribution of benefits in the event of the retirement, termination of employment, disability or death of a Participant.

ARTICLE IV

Administration

Section 4.01. The books and records to be maintained for the purpose of the Plan shall be maintained by the officers and employees of Quaker and the trustee of any Trust. All expenses of administering the Plan or a

Trust shall be paid by Quaker either from funds set aside or earmarked under the Plan or from other funds.

Section 4.02. To the extent permitted by law, the right of any Participant or any beneficiary in any benefit or to any payment hereunder or pursuant to a Deferred Compensation Agreement or Trust shall not be subject in any manner to attachment or other legal process for the debts of such Participant or beneficiary and any such benefit or payment shall not be subject to anticipation, alienation, sale, transfer, assignment or encumbrance.

Section 4.03. No member of the Board and no officer or employee of the Company shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his own fraud or willful misconduct; nor shall Quaker be liable to any person for any such action unless attributable to fraud or wilful misconduct on the part of a director, officer or employee of Quaker.

ARTICLE V

Amendment of Plan

The Plan may be amended in whole or in part from time to time by the Board; provided, however, that no such amendment shall effect the rights of any Participant under any existing Agreement or Trust.

IN WITNESS WHEREOF, Quaker Chemical Corporation has by its appropriate officer, adopted this Plan on this 10th day of July, 1996.

QUAKER CHEMICAL CORPORATION

By:___________________________________

EXHIBIT 13

QUAKER CHEMICAL CORPORATION
Financial Review

1996 Annual Report

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1996 Repositioning of Operations
and Impairment of Long-Lived Assets

In 1996, Quaker Chemical Corporation (the "Company") announced and implemented a series of measures designed to improve manufacturing capacity utilization, responsiveness to customers, operating efficiencies, and return on assets. The consolidated statement of operations for 1996 included total pre-tax charges of $24.5 million ($16.9 million after tax, or $1.96 per share) related to these initiatives. Of the total charges, $19.2 million was reflected as "Repositioning charges" and the remaining amount was shown net of tax ($3.4 million) under the caption "Asset impairment charge on equity investment."

The plan of action included (i) the closure of one of two manufacturing plants in the U.S., (ii) the closure of a sales and distribution office and streamlining of research and other functional activities in Europe, and (iii) other workforce reductions. The closure of a manufacturing facility in the U.S. and a sales and distribution office in Europe were substantially completed in 1996. The completion of the plan will result in workforce reductions of approximately 90 employees by the end of 1997. The Company expects annualized pre-tax cost savings in the range of $4 million (approximately one fourth of which will be reduced depreciation expense) from these measures, a portion of which will be realized in 1997.

In addition, the charges also included an asset impairment on goodwill related to a Spanish subsidiary. The asset impairment charge against the equity investment represents the write-down of the Company's investment in its Fluid Recycling Services Company ("FRS") joint venture.

Asset impairments represent charges arising from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The charge related to a Spanish subsidiary resulted from the evaluation of the Company's ability to recover asset costs given changes in local market conditions, current and projected capacity utilization, and other strategic factors. The determination to write down the Company's investment in FRS was made after extensive analysis of FRS's past performance and future prospects compared to the Company's level of investment. In evaluating both of these operations, management did not believe that future cash flows would be adequate to recover the carrying value of these assets.

The components of the pre-tax charges as well as balances remaining at December 31, 1996, were as follows:

	Amounts Charged				
(Dollars in thousands)	Cash	Non-cash	Total	Amount utilized	Remaining liability
Severance, other employee benefits, and facility closure costs................	$7,705		$ 7,705	$ 2,355	$5,350
Asset write-offs		$10,332	10,332	10,332	
Goodwill impairment...........		1,193	1,193	1,193	
Subtotal...........	7,705	11,525	19,230	13,880	5,350
FRS investment impairment...........		5,225	5,225	5,225	
Total repositioning charges..............	$7,705	$16,750	$24,455	$19,105	$5,350

Of the remaining liability at December 31, 1996, which principally consists of payments for termination benefits related to the workforce reductions, approximately $5 million was classified as current.

Liquidity and Capital Resources

Management believes that the Company is capable of generating adequate cash to meet the needs of current operations and to fund strategic initiatives.

Net cash flow provided by operating activities amounted to $28.0 million in 1996 compared to $7.3 million in 1995. The increase principally resulted from higher operating earnings (excluding the impact of repositioning and asset impairment charges) and improved management of working capital.

Net cash used in investing activities decreased to $6.3 million in 1996 from $17.5 million in 1995. The decrease was due mainly to declines in both business acquisition spending (none in 1996 compared to $7.7 million in 1995) and expenditures for property, plant, and equipment ($6.9 million in 1996 versus $9.8 million in 1995). Investments and advances of approximately $2.0 million during 1996 in the Company's FRS joint venture were about the same as 1995.

In addition to the items noted above, the Company made payments of $12.2 million in 1996 to reduce outstanding debt and $1.6 million to purchase 125,000 shares of the Company's common stock as part of a share repurchase program. As a result, the Company's net cash position (cash and cash equivalents less short-term borrowings and current portion of long-term debt, notes payable, and capital leases) increased $9.4 million in 1996 compared to a decrease of $21.6 million in 1995. The current ratio was 1.4 to 1 in both 1996 and 1995.

The majority of expenditures for property, plant, and equipment in 1996 included upgrades of manufacturing capabilities at various locations. Capital expenditures for 1997 are expected to be in the range of $7-9 million and include various upgrades of manufacturing capabilities in the U.S. and Europe, and an estimated $1 million for environmental and regulatory compliance. Also, as outlined above, cash outlays associated with the 1996 repositioning program are anticipated to be approximately $5 million in 1997.

The Company has $10 million in a line of credit and believes that additional borrowings through banks or the private placement market could be negotiated at competitive rates, based on its debt-equity ratio and current levels of operating performance.

Operations

Comparison of 1996 with 1995

Consolidated net sales for 1996 increased $13.2 million (6%) over 1995. The sales growth was a result of (i) a 3% increase in volume, (ii) a 4% improvement in price/mix resulting primarily from better pricing, mainly in Europe, and an overall positive shift in sales mix, (iii) a 1% increase associated with a 1995 acquisition in Brazil, offset by (iv) a 2% negative impact from currency translation (fluctuations in foreign currency exchange rates used to translate local currency statements to U.S. dollars). The volume improvement for the year was attributable primarily to continued sales growth in the Asia/Pacific markets and increased sales in certain markets in the U.S. Sales in the major U.S. markets were steady throughout most of the year, but slowed somewhat in the fourth quarter. In Europe, sales were steady during the first three quarters and then picked up in the fourth quarter primarily as a result of strong demand from the European steel industry.

Operating income (excluding repositioning charges in 1996) increased to $15.2 million from $11.4 million in 1995. The improvement was due in large part to the higher level of net sales combined with an increased gross margin percentage. The Company's gross margin as a percentage of net sales improved 2.2% points, when compared to 1995, mainly as a result of the benefits of pricing initiatives, particularly in Europe, a more favorable sales mix, and stable raw material costs. Selling, administrative, and general expenses as a percentage of net sales increased approximately 1% point primarily as a result of increased spending in geographic and product growth areas, other strategic initiatives, and an additional provision of $1.3 million in the fourth quarter of 1996 for estimated future remediation costs related to certain soil and groundwater contamination at a subsidiary's facility in California.

The increase in equity in net income from associated companies for both the fourth quarter and full year was due primarily to higher earnings from the Company's Mexican and Venezuelan affiliates and reduced business development costs in the Company's FRS joint venture. The negative influence of currency translation on net income in 1996 was approximately $.08 per share compared to a positive impact of $.07 per share in 1995.

Comparison of 1995 with 1994

Consolidated net sales for 1995 increased $32.4 million (17%) over 1994. The sales growth was a result of (i) a 5% increase in volume, (ii) a 4% improvement in price/mix primarily resulting from a series of price increases, (iii) a 5% positive impact from currency translation, and (iv) a 3% increase associated with acquisitions in Europe and Brazil. The volume improvement for the year was attributable primarily to increased core market sales in Europe and continued sales growth in the Asia/Pacific markets. Sales in the major U.S. markets were strong in the first half of 1995, but slowed somewhat in the second half as customer production levels declined in order to work down earlier buildups of inventories. In Europe, sales were strong throughout most of the year (despite a strike in France in the latter part of the fourth quarter) due to the strength of the economies in that region.

Operating income decreased from $13 million (after a $.5 million repositioning credit recorded in 1994) to $11.4 million in 1995. The decrease was due to a range of factors, the most significant of which were reduced margins associated with raw material cost inflation not covered by selling price increases, a less favorable sales mix, and increased expenses, particularly in the fourth quarter, related to staff reductions in some areas and regional growth initiatives in others. The Company's gross profit margin as a percentage of net sales decreased 2.8% points, when compared to 1994, mainly as a result of the aforementioned raw material cost inflation, which did not show any abatement until well into the second half of 1995. Selling, administrative, and general expenses as a percentage of net sales decreased 1.1% points as the positive leverage effect of higher sales offset the above-noted increases in expense.

Net interest costs rose due to increased financing costs associated with the decline in the Company's net cash position. The decrease in equity in net income from associated companies for both the fourth quarter and full year was due primarily to business development investments in the Company's relatively new FRS joint venture. The positive influence of currency translation on net income was approximately $.07 per share and $.01 per share in 1995 and 1994, respectively.

General

The Company is involved in environmental clean-up activities or litigation in connection with an existing plant location and former waste disposal sites (see Note 11). This involvement is not expected to have, a material effect on the Company's results of operations or financial condition.

The Company does not use financial instruments which expose it to significant risk involving foreign currency transactions; however, the size of non-U.S. activities has a significant impact on reported operating results and the attendant net assets. During the past three years, sales by non-U.S. subsidiaries accounted for approximately 50-57% of the consolidated sales. In the same period, these subsidiaries accounted for approximately 59-81% of consolidated operating profit (see Note 9). The greater profitability of non-U.S. sales during this period is attributable to higher unit selling prices and lower fixed overhead and selling costs.

CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in thousands except per share amounts)	Year Ended December 31, 1996	1995	1994
Net sales	$240,251	$227,038	$194,676
Costs and expenses:			
Cost of goods sold	138,199	135,490	110,732
Selling, administrative, and general expenses	86,853	80,115	70,955
Repositioning charges (credits)	19,230		(525)
	244,282	215,605	181,162
Operating (loss) income	(4,031)	11,433	13,514
Other income, net (Note 1)	1,508	2,090	2,253
Interest expense	(1,906)	(1,712)	(1,303)
Interest income	432	286	457
(Loss) income before taxes	(3,997)	12,097	14,921
Taxes on income	466	4,887	5,916
	(4,463)	7,210	9,005
Equity in net income (loss) of associated companies	480	(78)	779
Asset impairment charge on equity investment	(3,445)		
Minority interest in net income of subsidiaries	(171)	(444)	(382)
Net (loss) income	$(7,599)	$ 6,688	$ 9,402
Per share data:			
Net (loss) income	$(.88)	$.76	$1.03
Dividends	.69	.68	.63 1/2

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

(Dollars in thousands except per share amounts)	December 31, 1996	1995
Assets		
Current assets		
Cash and cash equivalents (Note 1)	$ 8,525	$ 7,230
Accounts receivable, less allowances for doubtful accounts of $1,005 in 1996 and $939 in 1995	45,564	46,965
Inventories (Notes 1 and 4)		
Raw materials and supplies	9,094	10,964
Work in process and finished goods	11,947	10,669
Deferred income taxes (Note 5)	4,840	1,415
Prepaid expenses and other current assets	6,582	10,132
Total current assets	86,552	87,375
Investments in and advances to associated companies (Notes 1 and 3)	3,941	10,058
Property, plant, and equipment, at cost (Note 1)		
Land	6,586	7,279
Buildings and improvements	32,680	40,232
Machinery and equipment	58,220	70,010
Construction in progress	1,476	1,068
	98,962	118,589
Less accumulated depreciation	55,002	62,280
Total property, plant, and equipment, net	43,960	56,309
Goodwill (Note 1)	16,222	18,973
Deferred income taxes (Note 5)	9,278	5,349
Other noncurrent assets (Note 1)	5,655	7,344
Total noncurrent assets	31,155	31,666
Total assets	$165,608	$185,408
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings, current portion of long-term debt, notes payable, and capital leases (Note 7)	$ 17,404	$ 25,548
Accounts payable	23,386	20,969
Dividends payable	1,508	1,473
Accrued liabilities		
Compensation	7,097	5,671
Other (Note 2)	12,746	6,721
Accrued taxes on income (Note 5)	1,893	486
Total current liabilities	64,034	60,868
Long-term debt, notes payable, and capital leases (Note 7)	5,182	9,300
Deferred income taxes (Note 5)	3,222	2,977
Accrued postretirement benefits (Note 6)	8,898	8,809
Other noncurrent liabilities (Note 2)	6,255	6,432
Total noncurrent liabilities	23,557	27,518
Total liabilities	87,591	88,386
Minority interest in equity of subsidiaries (Note 1)	3,763	3,030
Commitments and contingencies (Notes 1 and 11)		
Shareholders' equity (Note 8)		
Common stock, $1.00 par value; authorized 30,000,000 shares; issued (including treasury shares) 9,664,009 shares	9,664	9,664
Capital in excess of par value	634	780
Retained earnings	74,317	87,852
Unearned compensation	(459)	(722)
Foreign currency translation adjustments	6,475	12,333
	90,631	109,907
Treasury stock, shares held at cost; 1996-1,044,452, 1995-999,924	16,377	15,915
Total shareholders' equity	74,254	93,992
Total liabilities and shareholders' equity	$165,608	$185,408

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)	Year Ended December 31, 1996	1995	1994
Cash flows from operating activities			
Net (loss) income	$ (7,599)	$ 6,688	$ 9,402
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	6,347	6,764	6,524
Amortization	2,361	1,883	726
Equity in net (income) loss of associated companies	(480)	78	(779)
Minority interest in earnings of subsidiaries	171	444	382
Proceeds from insurance settlement		2,500	
Deferred income taxes	(3,658)	(499)	(159)
Deferred compensation and other postretirement benefits	952	(585)	(421)
Repositioning and asset impairment charges, net	21,534	(1,546)	(3,643)
Other, net	541	(464)	(485)
Increase (decrease) in cash from changes in current assets and current liabilities, net of acquisitions and divestitures:			
Accounts receivable	305	(1,513)	(7,341)
Inventories	132	(2,771)	(2,126)
Prepaid expenses and other current assets	(148)	(2,389)	(1,837)
Accounts payable and accrued liabilities	6,017	(1,357)	4,211
Accrued taxes on income	1,475	58	(25)
Net cash provided by operating activities	27,950	7,291	4,429
Cash flows from investing activities			
Short-term investments			1,000
Dividends from associated companies	1,406	565	1,022
Investments in property, plant, equipment, and other assets	(6,923)	(9,833)	(9,255)
Companies/businesses acquired excluding cash		(7,728)	(1,800)
Investments in and advances to associated companies	(2,039)	(1,970)	(4,482)
Proceeds from sale of patent, production technology, and other assets	830	2,000	2,591
Proceeds from sale of subsidiary			10,864
Other, net	428	(576)	463
Net cash (used in) provided by investing activities	(6,298)	(17,542)	403
Cash flows from financing activities			
Net (decrease) increase in short-term borrowings	(7,438)	15,923	2,999
Long-term debt, notes payable, and capital leases incurred		2,155	
Repayment of long-term debt, notes payable, and capital leases	(4,796)	(3,857)	(3,904)
Dividends paid	(5,936)	(5,973)	(5,695)
Treasury stock issued	979	1,439	617
Treasury stock acquired	(1,587)	(3,594)	(8,241)
Net cash (used in) provided by financing activities	(18,778)	6,093	(14,224)
Effect of exchange rate changes on cash	(1,579)	43	1,444
Net increase (decrease) in cash and cash equivalents	1,295	(4,115)	(7,948)
Cash and cash equivalents at beginning of year	7,230	11,345	19,293
Cash and cash equivalents at end of year	$ 8,525	$ 7,230	$ 11,345
Supplemental cash flow disclosures			
Cash paid during the year for:			
Income taxes	$ 5,497	$ 5,048	$ 5,685
Interest	2,040	1,776	1,419

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in thousands except per share amounts)	Common stock	Capital in excess of par value	Retained earnings	Unearned compensation	Foreign currency translation adjustments	Treasury stock	Total
Balance at December 31, 1993....	$9,664	$ 529	$83,498		$ 3,577	$ (5,885)	$91,383
Net income....................			9,402				9,402
Dividends ($.63 1/2 per share)			(5,763)				(5,763)
Shares acquired under repurchase program..........						(8,241)	(8,241)
Shares issued for employee stock purchase plan.........		106				409	515
Translation adjustment........					6,279		6,279
Other.........................		14				88	102
Balance at December 31, 1994....	9,664	649	87,137		9,856	(13,629)	93,677
Net income....................			6,688				6,688
Dividends ($.68 per share)....			(5,973)				(5,973)
Shares acquired under repurchase program..........						(3,594)	(3,594)
Shares issued upon exercise of options..................		(141)				141	
Shares issued for employee stock purchase plan.........		68				370	438
Restricted stock bonus........		175		$(722)		700	153
Translation adjustment........					2,477		2,477
Other.........................		29				97	126
Balance at December 31, 1995....	9,664	780	87,852	(722)	12,333	(15,915)	93,992
Net loss......................			(7,599)				(7,599)
Dividends ($.69 per share)....			(5,936)				(5,936)
Shares acquired under repurchase program..........						(1,587)	(1,587)
Shares issued upon exercise of options..................		(146)				681	535
Shares issued for employee stock purchase plan.........						444	444
Amortization of restricted stock bonus.................				263			263
Translation adjustment........					(5,858)		(5,858)
Balance at December 31, 1996....	$9,664	$ 634	$74,317	$(459)	$ 6,475	$(16,377)	$74,254

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except share and per share amounts)

Note 1 - Significant Accounting Policies

Principles of consolidation: All majority-owned subsidiaries are included in the Company's consolidated financial statements, with appropriate elimination of intercompany balances and transactions. The consolidated balance sheet includes total assets of $102,665 and $103,307 and total liabilities of $31,801 and $27,995 in 1996 and 1995, respectively, of non-U.S. subsidiaries. The consolidated statement of operations includes net income of non-U.S. subsidiaries of $4,415, $7,290, and $4,372 in 1996, 1995, and 1994, respectively. Investments in associated (less than majority owned) companies are stated at the Company's equity in their underlying net assets.

Translation of foreign currency: Assets and liabilities of non-U.S. subsidiaries and associated companies are translated into U.S. dollars at the respective rates of exchange prevailing at the end of the year. Income and expense accounts are translated at average exchange rates prevailing during the year. Translation adjustments resulting from this process are recorded directly in shareholders' equity and will be included in income only upon sale or liquidation of the underlying investment.

Cash and cash equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories: Inventories of the parent Company are valued at the lower of cost or market value, with cost determined using the last-in, first-out ("LIFO") cost method. Inventories of subsidiaries are valued primarily using the first-in, first-out ("FIFO") cost method, but not in excess of market value.

Property, plant, and equipment: Property, plant, and equipment are recorded at cost, and capital leases are recorded at the present value of future minimum lease payments. Depreciation is computed using the straight-line method on an individual asset basis over the following estimated useful lives: buildings and improvements, 10 to 45 years; machinery and equipment, 3 to 15 years; and capital leases are depreciated over the remaining life of the lease. At December 31, 1996 and 1995, $1,214 of leased equipment and accumulated depreciation thereon in the amount of $1,156 and $1,006 in 1996 and 1995, respectively, are included in property, plant, and equipment.

Expenditures for renewals and betterments which increase the estimated useful life or capacity of the assets are capitalized; expenditures for repairs and maintenance are charged to expense.

Goodwill: Goodwill consists primarily of intangible assets arising from acquisitions which are being amortized on a straight-line basis over periods of 5 to 40 years (5 to 20 years on acquisitions subsequent to 1991). At December 31, 1996 and 1995, accumulated goodwill amortization amounted to $3,574 and $2,476, respectively.

Capitalization of software: The Company capitalizes certain computer software costs which are amortized utilizing the straight-line method over their estimated economic lives, not to exceed three years. At December 31, 1996 and 1995, the amount capitalized was $3,372 and $3,369; accumulated amortization thereon amounted to $1,702 and $788, respectively.

Pension and postretirement benefit plans: The Company's policy is to fund pension costs allowable for income tax purposes. See Note 6 for the accounting policies for pension and other postretirement benefits.

Revenue recognition: Sales are recorded primarily when products are shipped to customers. Other income, principally license fees and royalties offset by miscellaneous expenses, is recorded when earned. License fees from nonconsolidated non-U.S. associates and royalties from third parties amounted to $1,505, $2,293, and $2,364 in 1996, 1995, and 1994, respectively.

Research and development costs: Research and development costs are expensed as incurred. Company sponsored research and development expenses during 1996, 1995, and 1994 were $11,181, $11,307, and $9,919, respectively.

Earnings per share: Earnings per share calculations are based on the weighted average number of shares outstanding during the year.

Concentration of credit risk: Financial instruments, which potentially subject the Company to a concentration of credit risk, principally consist of cash equivalents, short-term investments, and trade receivables. The Company invests temporary and excess cash in money market securities and financial instruments having maturities typically within 90 days. The Company has not experienced losses from the aforementioned investments.

The Company sells its principal products to major steel, automotive, and related companies around the world. The Company maintains allowances for potential credit losses. Historically, the Company has experienced some losses related to bankruptcy proceedings of major steel companies in the U.S., however, such losses have not been material.

Environmental liabilities and expenditures: Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued liabilities are exclusive of claims against third parties and are not discounted. Environmental costs and remediation costs are capitalized if the costs increase the value of the property from the date acquired or constructed and/or mitigate or prevent future contamination.

Reclassifications: Certain reclassifications of prior years' data have been made to improve comparability.

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingencies at the date of the financial statements and the reported amounts of net sales, and expenses during the reporting period. Differences from those estimates are recorded in the period they become known.

Income taxes: Income taxes are provided in accordance with SFAS No. 109, "Accounting for Income Taxes."

Accounting standard change: In 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). See Note 2 for the effect of adoption. SFAS 121 establishes accounting standards for determining the impairment of long-lived assets, certain identifiable intangibles, and goodwill. The statement prescribes that an impairment loss is to be recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable, and the estimate of future undiscounted cash flows is less than the carrying amount of the asset. Impairment is then recorded based on an estimate of future discounted cash flows.

Note 2 - Repositioning of Operations
and Impairment of Long-Lived Assets

In 1996, the Company announced and implemented a series of measures designed to improve manufacturing capacity utilization, responsiveness to customers, operating efficiencies, and return on assets. The consolidated statement of operations for 1996 included total pre-tax charges of $24,455 ($16,912 after tax, or $1.96 per share) related to these initiatives. Of the total charges, $19,230 was shown as "Repositioning charges" in income before tax and the remaining $5,225, was shown net of tax ($3,445) under the caption "Asset impairment charge on equity investment."

The plan of action related to the repositioning charges included (i) the closure of one of two manufacturing plants in the U.S., (ii) the closure of a sales and distribution office and streamlining of research and other functional activities in Europe, and (iii) other workforce reductions. The closure of a manufacturing facility in the U.S. and a sales and distribution office in Europe were substantially completed in 1996. The completion of the plan will result in workforce reductions of approximately 90 employees by the end of 1997.

In addition, the charges also include an asset impairment on goodwill related to a Spanish subsidiary. The asset impairment charge against the equity investment represents the write-down of the Company's investment in its FRS joint venture.

Asset impairments represent charges arising from the adoption of SFAS 121. The charge related to a Spanish subsidiary resulted from the evaluation of the Company's ability to recover asset costs given changes in local market conditions, current and projected capacity utilization, and other strategic factors. The determination to write down the Company's investment in FRS was made after extensive analysis of FRS's past performance and future prospects compared to the Company's level of investment. In evaluating both of these operations, management did not believe that future cash flows would be adequate to recover the carrying value of these assets.

The components of the pre-tax charges as well as the balances remaining at December 31, 1996 were as follows:

	Amounts Charged				
	Cash	Non-cash	Total	Amount utilized	Remaining liability
Severance, other employee benefits, and facility closure costs...............	$7,705		$ 7,705	$ 2,355	$5,350
Asset write-offs......		$10,332	10,332	10,332	
Goodwill impairment..........		1,193	1,193	1,193	
Subtotal..........	7,705	11,525	19,230	13,880	5,350
FRS investment impairment..........		5,225	5,225	5,225	
Total repositioning charges.............	$7,705	$16,750	$24,455	$19,105	$5,350

Of the remaining liability at December 31, 1996, which principally consists of payments for termination benefits related to the workforce reductions, approximately $5,000 was classified as current.

During 1994, the Company substantially completed actions associated with a prior repositioning program. These actions included the consolidation of certain facilities in the U.S.

and Europe; the sale of manufacturing facilities in Pomona, California and Verona, Italy; the divestment of the Quaker Construction Products, Inc. ("QCP") business, and workforce reductions. As of December 31, 1994, it was determined that the repositioning activities would be accomplished for less than originally anticipated and, accordingly, the Company reduced operating expenses by $525 ($347 after tax, or $.04 per share). As of December 31, 1996, cash outlays of approximately $392 and $1,482 remained in accrued liabilities and other noncurrent liabilities, respectively, and principally consist of payments for termination benefits related to the workforce reductions.

Note 3 - Associated Companies

Summarized financial information of the associated companies (less than majority owned), in the aggregate, for 1996, 1995, and 1994 is as follows:

	1996	1995	1994
Current assets........................	$20,848	$22,319	$25,377
Noncurrent assets.....................	7,291	8,273	8,960
Current liabilities...................	12,647	14,136	15,030
Noncurrent liabilities................	2,763	1,806	1,111
Net sales.............................	$53,481	$54,710	$49,949
Operating income......................	3,412	2,689	4,293
Income before taxes...................	2,289	929	3,242
Net income............................	1,252	9	1,725

Note 4 - Inventories

Inventories valued under the LIFO method amounted to $6,792 and $6,387 at December 31, 1996 and 1995, respectively. The estimated replacement costs for these inventories using the FIFO method were approximately $7,268 and $7,259, respectively.

Note 5 - Taxes on Income

Taxes on income included in the consolidated statement of operations consist of the following for the year ended December 31:

	1996	1995	1994
Current			
Federal..............................	$(3,838)	$ 872	$1,708
State................................	193	53	122
Foreign..............................	4,359	4,399	4,984
	714	5,324	6,814
Deferred			
Federal..............................	(488)	103	(495)
Foreign..............................	240	(540)	(403)
Total................................	$ 466	$4,887	$5,916

Total deferred tax assets and liabilities are comprised of the following at December 31:

	1996 Current	1996 Non-current	1995 Current	1995 Non-current
Retirement benefits...........	$ 311		$ 238	
Allowance for doubtful accounts....................	342		319	
FRS impairment................	1,780			
Insurance and litigation reserves....................	1,192		647	
Postretirement benefits.......		$3,025		$2,995
Supplemental retirement benefits....................		677		637
Performance incentives........		204		
Alternative minimum tax carryforward............		683		432
Amortization..................		833		524
Repositioning charges.....................	849	3,498	151	622
R&D expenses capitalized for tax.........		245		
Other.........................	366	113	60	139
Total deferred tax assets.................	$4,840	$9,278	$1,415	$5,349
Depreciation..................		$2,698		$2,829
Other.........................		524		148
Total deferred tax liabilities................		$3,222		$2,977

The following is a reconciliation of income taxes at the Federal statutory rate with income taxes recorded by the Company for the year ended December 31:

	1996	1995	1994
Income tax (benefit)			

provision at the Federal statutory tax rate	$(1,359)	$4,113	$5,073
State income tax provisions, net	54	35	81
Non-deductible entertainment and business meal expense	200	177	176
Prior year tax settlement			710
Non-deductible divestiture charges		503	
Foreign taxes on earnings at rates different than the Federal statutory rate	1,280	30	143
Miscellaneous items, net	291	29	(267)
Taxes on income	$ 466	$4,887	$5,916

U.S. income taxes have not been provided on the undistributed earnings of non-U.S. subsidiaries since it is the Company's intention to continue to reinvest these earnings in those subsidiaries for working capital and expansion needs. The amount of such undistributed earnings at December 31, 1996 was approximately $69,000. Any income tax liability which might result from ultimate remittance of these earnings is expected to be substantially offset by foreign tax credits.

The benefits of net operating loss carryforwards approximating $600, expiring from 1997 to 2001, have been recorded.

Note 6 - Employee Benefits

Pension plans: The Company maintains various noncontributory retirement plans covering substantially all of its employees in the U.S. and certain other countries. The benefits for the plans are based on a number of factors, the most significant of which are years of service and levels of compensation either during employment or near retirement. The plans of the remaining non-U.S. subsidiaries are, for the most part, either fully insured or integrated with the local governments' plans and are not subject to the provisions of SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS 87").

On January 1, 1995, after determining that the plans of the Company's subsidiaries in the Netherlands are subject to the provisions of SFAS 87, the Company commenced reporting under this standard for these subsidiaries. The effect of adoption was not material.

The pension costs for all plans include the following components:

	1996	1995	1994
Service cost-benefits earned during the period	$1,305	$1,149	$ 880
Interest cost on projected benefit obligation	3,347	3,314	2,449
Net investment (income) loss on plan assets:			
Actual	(5,755)	(7,837)	(283)
Deferral of difference between actual and expected income	1,897	4,373	(2,576)
Other amortization, net	(373)	(320)	(63)
Net pension costs of plans subject to SFAS 87	421	679	407
Pension costs of plans not subject to SFAS 87	274	98	962
Total pension costs	$ 695	$ 777	$1,369

The following table summarizes the funded status of the Company's defined benefit pension plans, the largest of which is in the U.S., and the related amounts recognized in the Company's consolidated balance sheets as of December 31:

	1996		1995	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets(a)	Assets exceed accumulated benefits	Accumulated benefits exceed assets(a)
Actuarial present value of:				
Vested benefit obligation	$40,720	$ 2,583	$39,839	$ 2,556
Accumulated benefit obligation	40,895	2,630	40,026	2,640
Projected benefit obligation (PBO)	45,772	2,693	44,788	2,817
Plan assets at market value	51,336		47,857	
Plan assets greater (less) than PBO	5,564	(2,693)	3,069	(2,817)
Unrecognized cumulative net (gain) loss	(3,699)	756	(1,792)	961
Unrecognized prior service costs	1,318		1,722	
Unrecognized transition obligation	(3,275)	(6)	(4,041)	(7)
Accrued pension costs	$ (92)	$(1,943)	$(1,042)	$(1,863)

(a) Substantially all of this relates to nonqualified, unfunded supplemental pension plans.

The U.S. funded plan is the largest plan. The significant assumptions for the U.S. plan were as follows:

	1996	1995	1994
Discount rate for projected benefit obligation....................	7.375%	7.375%	8.0%
Assumed long-term rates of compensation increases................	5.5%	5.5%	5.5%
Long-term rate of return on plan assets.........................	9.25%	9.25%	9.25%

All other pension plans used assumptions in determining the actuarial present value of the projected benefit obligations that are consistent with (but not identical to) those of the U.S. plan.

Profit sharing plan: The parent Company also maintains a qualified profit sharing plan covering all employees other than those who are compensated on a commission basis. Contributions were $405 and $367 for 1996 and 1994, respectively. No contributions were made in 1995.

Other postretirement and postemployment benefits: The Company has postretirement benefit plans that provide medical and life insurance benefits for certain retired employees of the parent Company. These benefits vary based on age, years of service, and retirement date. Coverage of health benefits under the plan may require the retiree to make payments where the insured equivalent costs exceed the Company's fixed contribution. The cost of the life insurance benefit plan, which provides a flat $2,000 per retiree, is noncontributory. Both the medical and life insurance plans are currently unfunded.

The components of periodic postretirement benefit costs are as follows:

	1996	1995	1994
Service cost-benefits attributed to service during the period	$ 77	$ 65	$ 67
Interest cost on accumulated benefit obligation and amortization	571	594	572
Postretirement benefit costs	$648	$659	$639

The status of the plan at December 31, 1996 and 1995 is as follows:

	1996	1995
Retirees	$6,672	$6,877
Fully eligible active participants	45	59
Other participants	1,379	1,199
Total accumulated postretirement benefit obligation	8,096	8,135
Unrecognized actuarial gain	802	674
Net unfunded postretirement benefit liability	$8,898	$8,809

The discount rate used in determining the accumulated postretirement benefit obligation was 7.375% in both 1996 and 1995.

In valuing costs and liabilities, different health care cost trend rates were used for retirees under and over age 65. The average assumed rate for medical benefits for all retirees was 8.3% in 1996, gradually decreasing to 5.5% over 10 years. A 1% increase in the health care cost trend rate would increase aggregate service cost for 1996 by $39 and the accumulated postretirement benefit obligation as of December 31, 1996 by $573.

The parent Company maintains a plan under which the Company will provide, in certain cases, supplemental retirement benefits to officers of the parent Company. Benefits payable under the plan are based on a combination of years of service and existing postretirement benefits. Included in total pension costs are charges of $262, $276, and $353 in 1996, 1995, and 1994, respectively, representing the annual accrued benefits under this plan.

Note 7 - Debt, Notes Payable, and Capital Leases

Long-term debt, notes payable, and capital leases consisted of the following at December 31:

	1996	1995
Industrial development authority monthly floating rate (3.85% at December 31, 1996) demand bonds maturing in 2014	$5,000	$ 5,000
6.64% notes payable due July 8, 1997	3,333	6,667
Non-interest bearing notes payable due 1997	728	2,126
Capital leases	54	112
Other debt obligations due 1997 to 1998, interest rates ranging to 10.8%	356	394
	9,471	14,299
Less current portion	4,289	4,999
	$5,182	$ 9,300

The 6.64% notes payable require semiannual principal payments of $1,667 beginning July 8, 1993 through 1997. The long-term financing agreements require the maintenance of certain financial covenants with which the Company is in compliance.

During the next five years, payments of long-term debt and notes payable are as follows: $4,289 in 1997, $182 in 1998, and $0 in 1999, 2000, and 2001.

At December 31, 1996, the Company had outstanding short-term borrowings with banks under non-confirmed lines of credit in the aggregate of $13,115. The weighted average interest rate on such borrowings was 5.7% during 1996. The parent Company also has available a $10,000 unsecured line of credit that is renewed annually. Any borrowings under this line of credit will be at the bank's most competitive rate of interest in effect at that time.

At December 31, 1996 and 1995, the value at which these financial instruments are recorded is not materially different from their fair market value.

Note 8 - Shareholders' Equity

Treasury stock is held for use by the various Company plans which require the issuance of the Company's common stock.

The Company is authorized to issue 10,000,000 shares of preferred stock, $1.00 par value, subject to approval by the Board of Directors. The Board of Directors may designate one or more series of preferred stock and the number of shares, rights, preferences, and limitations of each series. No preferred stock has been issued.

Under provisions of a stock purchase plan which permits employees to purchase shares of stock at 85% of the market value, 31,193 shares, 26,933 shares, and 29,736 shares were issued from treasury in 1996, 1995, and 1994, respectively. The number of shares that may be purchased by an employee in any year is limited by factors dependent upon the market value of the stock and the employee's base salary. At December 31, 1996, 159,054 shares are available for purchase.

The Company has a long-term incentive plan for key employees which provides for the granting of options to purchase stock at prices not less than market value on the date of the grant. Most options are exercisable one year after the date of the grant for a period of time determined by the Company not to exceed ten years from the date of grant. The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"). Accordingly, no compensation expense has been recognized for the stock option plans. Had compensation costs been determined based on the fair value at grant date for awards in 1996 and 1995 consistent with the provisions of SFAS 123, the Company's net (loss) income and net (loss) income per share would have been reduced to the pro forma amounts indicated below:

	1996	1995
Net (loss) income-as reported....................	$(7,599)	$6,688
Net (loss) income-pro forma......................	(8,139)	6,058
Net (loss) income per share-as reported..........	(.88)	.76
Net (loss) income per share-pro forma............	(.95)	.69

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1996	1995
Dividend yield..................................	3.9%	3.6%
Expected volatility.............................	22.5%	22.5%
Risk-free interest rate.........................	6.35%	5.53%
Expected life (years)...........................	8	8

The table below summarizes transactions in the plan during 1996, 1995, and 1994.

	1996		1995	1994
	Number of shares	Weighted Average Exercise Price	Number of Shares	Number of Shares
Options outstanding at January 1,..............	894,854	$18.03	633,087	626,534
Options granted...........	290,070	$14.13	459,056	6,553
Options exercised.........	(48,678)	$11.00	(44,842)	
Options expired...........	(128,117)	$19.49	(152,447)	
Options outstanding at December 31,............	1,008,129	$17.06	894,854	633,087
	=========	======	=======	=======
Options exercisable at December 31,............	689,934	$19.01	486,548	626,534

The following table summarizes information about stock options outstanding at December 31, 1996:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/96	Weighted Average Con-tractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/96	Weighted Average Exercise Prices
$13.33-$21.00	93,500	1	$16.24	93,500	$16.24
$15.75-$24.20	62,000	2	$22.01	62,000	$22.01
$20.49	30,000	4	$20.49	30,000	$20.49
$12.50-$17.75	159,568	6	$15.36	159,568	$15.36
$19.75-$21.00	39,882	7	$20.99	39,882	$20.99
$15.88	553	8	$15.88	553	$15.88
$17.50-$22.50	333,306	9	$18.96	304,431	$18.96
$12.38-$15.00	289,320	10	$14.13		
$13.33-$24.20	1,008,129			689,934	
=============	=========			=======	

Options were exercised for cash and the surrender of 34,555 previously outstanding shares in 1995, resulting in the net issuance of 48,678 shares in 1996 and 10,287 shares in 1995. No options were exercised in 1994. Options to purchase 218,377 shares were available at December 31, 1996 for future grants.

The plan also provides for the issuance of performance incentive units, the value of which is determined based on operating results over a four-year period. The effect on operations of the change in the estimated value of incentive units during the year was $600 in 1996 and zero in 1995 and 1994, respectively.

On February 7, 1990, the Company declared a dividend distribution to shareholders of record on February 20, 1990 which, after giving effect for the three-for-two stock split effective July 30, 1990, was in the form of two stock purchase rights (the "Rights") for each three shares of common stock outstanding. The Rights become exercisable if a person or group acquires or announces a tender offer which would result in such person's acquisition of 20% or more of the Company's common stock. The Rights also become exercisable if the Board of Directors declares a person to be an "adverse person" and that person has obtained not less than 10% of the outstanding shares of the Company's common stock.

Each Right, when exercisable, entitles the registered holder to purchase one one-hundredth of a share of a newly authorized Series A preferred stock at an exercise price of seventy-two dollars per share subject to certain anti-dilution adjustments. In addition, if a person or group acquires 20% or more of the outstanding shares of the Company's common stock, without first obtaining Board of Directors' approval, as required by the terms of the Rights Agreement, or a person is declared an adverse person, each Right will then entitle its holder (other than such person or members of any such group) to purchase, at the Right's then current exercise price, a number of shares of the Company's common stock having a total market value of twice the Right's exercise price.

In the event the Company merges with or transfers 50% or more of its assets or earnings to any entity after the Rights become exercisable, holders of Rights may purchase, at the Right's then current exercise price, common stock of the acquiring entity having a value equal to twice the Right's exercise price.

In addition, at any time after a person acquires 20% of the outstanding shares of common stock and prior to the acquisition by such person of 50% or more of the outstanding shares of common stock, the Company may exchange the Rights (other than the Rights which have become null and void), in whole or in part, at an exchange ratio of one share of common stock or equivalent share of preferred stock, per Right.

The Board of Directors can redeem the Rights for $.01 per Right at any time prior to the acquisition by a person or group of beneficial ownership of 20% or more of the Company's common stock or a person being declared an adverse person. Until a Right is exercised, the holder thereof will have no rights as a shareholder of the Company, including without limitation, the right to vote or to receive dividends. Unless earlier redeemed or exchanged, the Rights will expire on February 20, 2000.

Restricted stock bonus: In 1995, the Company granted an initial stock bonus of 50,000 shares of the Company's common stock to its chief executive officer of which 5,000 shares were paid to him immediately, and the balance of the shares were registered in his name, 15,000 of which were delivered to him on October 2, 1996. The balance is being held by the Company for delivery to him in installments of 15,000 shares each on October 2, 1997 and 1998, if he is employed by the Company on those dates.

The remaining shares are subject to forfeiture provisions, have been recorded as unearned compensation, and are presented as a separate component of shareholders' equity. The unearned compensation is being charged to selling, administrative, and general expenses over the three-year vesting period and was $263 and $153 in 1996 and 1995, respectively.

Note 9 - Business Segments

The Company operates primarily in one business segment- the manufacture and sale of industrial chemical specialty products. The Company has both U.S. and non-U.S. operations, which are summarized for 1996, 1995, and 1994 as follows:

	1996	1995	1994
Net sales			
United States	$104,135	$102,651	$ 97,338
Europe	101,676	99,222	80,624
Asia/Pacific	24,188	18,715	14,912
South America	10,252	6,450	1,802
Consolidated	$240,251	$227,038	$194,676
(Loss) income before taxes			
United States	$ 5,558	$ 3,357	$ 7,960
Europe	17,336	13,344	11,076
Asia/Pacific	2,575	2,214	1,630
South America	(1,113)	(1,188)	(1,163)
Operating profit	24,356	17,727	19,503
Repositioning (charges) credits	(19,230)		525
Nonoperating expenses	(9,123)	(5,630)	(5,107)
Asset impairment charge on equity investment	(3,445)		
Equity in net income (loss) of associated companies	480	(78)	779
Minority interest in net income of subsidiaries	(171)	(444)	(382)
Consolidated	$ (7,133)	$ 11,575	$ 15,318
Identifiable assets			
United States	$ 40,540	$ 52,262	$ 51,255
Europe	63,385	66,498	65,845
Asia/Pacific	12,455	11,246	8,685

South America	4,380	3,989	1,426
Investments in associated companies	3,941	10,058	9,885
Nonoperating assets	40,907	41,355	33,076
Consolidated	$165,608	$185,408	$170,172

Transfers between geographic areas are not material. Operating profit comprises revenue less related costs and expenses. Nonoperating expenses primarily consist of general corporate expenses identified as not being a cost of operations, interest expense, interest income, and license fees from nonconsolidated associates. Nonoperating assets, consisting primarily of cash equivalents and short-term investments, have not been included with identifiable assets. No single customer accounted for 10% of net sales in 1996, 1995, or 1994. A substantial portion of consolidated sales on a global basis is made to the steel industry (see Classification of Products by Markets Served), and as a result, accounts receivable generally reflect a similar distribution of receivables from customers in this market.

Note 10 - Business Acquisitions and Divestitures

In 1995 and 1994, the Company completed the acquisitions or divestitures set forth below. Each acquisition was accounted for as a purchase, and, accordingly, the purchase price has been allocated, where appropriate, between the fair value of identifiable net assets acquired and goodwill. The consolidated financial statements include the operating results of each business acquired from the date of acquisition. Pro forma results of operations have not been presented for any of the acquisitions or divestitures because the effects of these transactions were not material.

Effective May 31, 1995, the Company acquired 90% of the common stock of Celumi S.A., a metalworking chemical specialty business in Brazil, for approximately $7,700 in cash and notes. The excess of cost over the estimated fair value of net assets acquired amounted to approximately $6,500 which has been accounted for as goodwill and is being amortized over 20 years.

On March 29, 1995, the Company entered into an agreement with Wuxi Oil Refinery, for the creation of a joint venture in the People's Republic of China. The Company made cash contributions to the venture of approximately $600 and $500 in 1996 and 1995, respectively.

Effective December 28, 1994, the Company acquired for approximately $1,800 in cash certain assets relating to the formulation, manufacture, and sale of cutting fluids from Perstorp AB, a Swedish company.

Pursuant to the plans identified in the Company's 1993 repositioning program (see Note 2), the sales of certain of the Company's businesses and assets were completed in 1994. Effective November 7, 1994, the Company completed the sale of the flooring business of QCP for approximately $2,800. In addition, effective October 20, 1994 and October 1, 1994, respectively, the Company completed the sale of its Verona, Italy and Pomona, California manufacturing facilities, which ceased production in 1993 and mid-1994, respectively, for approximately $2,600 in cash and $200 due within one year. Effective September 30, 1994, the Company completed the sale of the coatings and waterproofing business of QCP for approximately $8,100.

On March 24, 1994, the Company entered into an agreement with Fluid Recycling Services, Incorporated for the creation of FRS, a 50/50 joint venture. During 1996 and 1995, the Company made annual cash investments and advances of approximately $2,000.

Note 11 - Commitments and Contingencies

A wholly-owned nonoperating subsidiary of the Company is a co-defendant in claims filed by multiple claimants alleging injury due to exposure to asbestos. Although there can be no assurance regarding the outcome of existing claims proceedings, the subsidiary believes that it has made adequate accruals for uninsured liabilities related to claims of which it is aware. At December 31, 1996, the subsidiary has accrued approximately $200 to provide for anticipated uninsured claims-related liabilities. In addition, in 1995 the subsidiary received a cash payment of $2,500 from one of its insurance carriers in settlement over certain disputed coverage.

The Company has accrued for certain environmental investigatory and noncapital remediation costs consistent with the policy set forth in Note 1. In 1994, the Company identified certain soil and groundwater contamination at AC Products, Inc. ("ACP"), a wholly-owned subsidiary. Pursuant to a plan submitted to and approved by the Santa Ana California Regional Water Quality Board, remediation efforts are being undertaken at ACP. Currently, the Company believes that the potential uninsured liability associated with the completion of the remediation effort ranges from $1,500 to $3,000, for which the Company has accrued approximately $2,000.

Additionally, although there can be no assurance regarding the outcome of other environmental matters, the Company believes that it has made adequate accruals for costs associated with other environmental exposures of which it is aware. Approximately $400 was accrued at December 31, 1996 and 1995, to provide for such anticipated future environmental assessments and remediation costs relating to these matters.

The Company is a party to other litigation which management currently believes will not have a material adverse effect on the Company's results of operations or financial condition.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
of Quaker Chemical Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Quaker Chemical Corporation (the "Company") and its subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

30 South 17th Street
Philadelphia, Pennsylvania 19103
February 13, 1997

ELEVEN-YEAR FINANCIAL SUMMARY
(Dollars in thousands except per share data and number of employees)

	1996(1)	1995	1994(2)
Summary of Operations			
Net sales	$240,251	$227,038	$194,676
(Loss) income before taxes and cumulative effect of change in accounting principle	(7,133)	11,575	15,318
Cumulative effect of change in accounting for postretirement benefits			
Net (loss) income	(7,599)	6,688	9,402
Per share(4)			
(Loss) income before cumulative effect of change in accounting principle	(.88)	.76	1.03
Cumulative effect of change in accounting for postretirement benefits			
Net (loss) income	(.88)	.76	1.03
Dividends	.69	.68	.63 1/2
Financial Position			
Current assets	86,552	87,375	83,400
Current liabilities	64,034	60,868	42,754
Working capital	22,518	26,507	40,646
Property, plant, and equipment, net	43,960	56,309	51,694
Total assets	165,608	185,408	170,172
Long-term debt, notes payable, and capital leases	5,182	9,300	12,207
Shareholders' equity	74,254	93,992	93,677
Other Data			
Current ratio	1.4/1	1.4/1	2.0/1
Capital expenditures	6,923	9,833	9,255
Net (loss) income as a percentage of net sales(5)	(3.2)%	2.9%	4.8%
Return on average shareholders' equity(5)	(9.0)%	7.1%	10.2%
Shareholders' equity per share at end of year(4)	8.61	10.85	10.62
Common stock per share price range(4):			
High	17 1/4	19	19 1/2
Low	11 3/4	11	14 3/4
Number of shares outstanding at end of year(4)	8,620	8,664	8,819
Number of employees at end of year:			
Consolidated subsidiaries	835	870	743
Associated companies	232	235	212

(1) The results of operations for 1996 include special charges-$16,912 after tax, or $1.96 per share. Excluding these charges, net income for 1996 was $9,313, or $1.08 per share.
(2) The results of operations for 1994 include net repositioning credits of $347, or $0.04 per share. Excluding these credits, net income for 1994 was $9,055, or $0.99 per share.
(3) The results of operations for 1993 include net repositioning charges of $7,854, or $0.85 per share. Excluding these charges, net income for 1993 was $6,096, or $0.66 per share.
(4) Restated to give retroactive effect to a three-for-two split in 1990.
(5) Calculated for 1991 using $10,790 which is the net income before the cumulative effect of change in accounting principle.

ELEVEN-YEAR FINANCIAL SUMMARY (continued)
(Dollars in thousands except per share data and number of employees)

	1993(3)	1992	1991	1990
Summary of Operations				
Net sales	$195,004	$212,491	$191,051	$201,474
(Loss) income before taxes and cumulative effect of change in accounting principle	(1,524)	19,045	16,888	22,580
Cumulative effect of change in accounting for postretirement benefits			(5,675)	
Net (loss) income	(1,758)	12,098	5,115	14,106
Per share(4)				
(Loss) income before cumulative effect of change in accounting principle	(.19)	1.33	1.20	1.51
Cumulative effect of change in accounting for postretirement benefits			(.63)	
Net (loss) income	(.19)	1.33	.57	1.51
Dividends	.60 1/2	.57	.53	.47
Financial Position				
Current assets	84,387	85,567	82,725	84,833
Current liabilities	42,642	28,126	36,592	40,342
Working capital	41,745	57,441	46,133	44,491
Property, plant, and equipment, net	55,541	52,179	48,661	46,315
Total assets	170,985	166,613	159,121	152,408
Long-term debt, notes payable, and capital leases	16,095	18,604	5,219	5,453
Shareholders' equity	91,383	101,642	98,898	99,113
Other Data				
Current ratio	2.0/1	3.0/1	2.3/1	2.1/1
Capital expenditures	8,960	7,226	8,420	12,663
Net (loss) income as a percentage of net sales(5)	(0.9)%	5.7%	5.6%	7.0%
Return on average shareholders' equity(5)	(1.8)%	12.1%	10.9%	14.9%
Shareholders' equity per share at end of year(4)	9.89	11.06	10.95	11.11

Common stock per share price range(4):				
High	24 5/8	26	22 1/4	19 1/4
Low	14 1/4	18 3/4	15	12
Number of shares outstanding at end of year(4)	9,242	9,188	9,028	8,921
Number of employees at end of year:				
Consolidated subsidiaries	865	842	840	819
Associated companies	141	130	187	261

(1) The results of operations for 1996 include special charges-$16,912 after tax, or $1.96 per share. Excluding these charges, net income for 1996 was $9,313, or $1.08 per share.
(2) The results of operations for 1994 include net repositioning credits of $347, or $0.04 per share. Excluding these credits, net income for 1994 was $9,055, or $0.99 per share.
(3) The results of operations for 1993 include net repositioning charges of $7,854, or $0.85 per share. Excluding these charges, net income for 1993 was $6,096, or $0.66 per share.
(4) Restated to give retroactive effect to a three-for-two split in 1990.
(5) Calculated for 1991 using $10,790 which is the net income before the cumulative effect of change in accounting principle.

ELEVEN-YEAR FINANCIAL SUMMARY (continued)
(Dollars in thousands except per share data and number of employees)

	1989	1988	1987	1986
Summary of Operations				
Net sales	$181,660	$166,662	$147,455	$128,059
(Loss) income before taxes and cumulative effect of change in accounting principle	19,647	18,939	17,511	14,103
Cumulative effect of change in accounting for postretirement benefits				
Net (loss) income	12,840	11,731	10,423	8,530
Per share(4)				
(Loss) income before cumulative effect of change in accounting principle	1.35	1.21	1.05	.84
Cumulative effect of change in accounting for postretirement benefits				
Net (loss) income	1.35	1.21	1.05	.84
Dividends	.41	.37	.34	.29
Financial Position				
Current assets	75,427	69,326	66,633	58,460
Current liabilities	27,848	26,924	29,447	16,207
Working capital	47,579	42,402	37,186	42,253
Property, plant, and equipment, net	36,539	32,821	32,622	29,472
Total assets	131,430	121,125	118,367	98,512
Long-term debt, notes payable, and capital leases	5,665	5,000	5,000	8,735
Shareholders' equity	90,440	82,884	78,079	66,654
Other Data				
Current ratio	2.7/1	2.6/1	2.3/1	3.6/1
Capital expenditures	7,553	5,295	3,705	5,223
Net (loss) income as a percentage of net sales(5)	7.1%	7.0%	7.1%	6.7%
Return on average shareholders' equity(5)	14.8%	14.6%	14.4%	13.6%
Shareholders' equity per share at end of year(4)	9.55	8.57	8.08	6.71
Common stock per share price range(4):				
High	15 5/8	16 1/8	18	13 5/8
Low	12 1/2	11 3/8	9	8
Number of shares outstanding at end of year(4)	9,473	9,669	9,644	9,935
Number of employees at end of year:				
Consolidated subsidiaries	829	832	824	795
Associated companies	154	150	140	134

(1) The results of operations for 1996 include special charges-$16,912 after tax, or $1.96 per share. Excluding these charges, net income for 1996 was $9,313, or $1.08 per share.
(2) The results of operations for 1994 include net repositioning credits of $347, or $0.04 per share. Excluding these credits, net income for 1994 was $9,055, or $0.99 per share.
(3) The results of operations for 1993 include net repositioning charges of $7,854, or $0.85 per share. Excluding these charges, net income for 1993 was $6,096, or $0.66 per share.
(4) Restated to give retroactive effect to a three-for-two split in 1990.
(5) Calculated for 1991 using $10,790 which is the net income before the cumulative effect of change in accounting principle.

SUPPLEMENTAL FINANCIAL INFORMATION

Classification of Products by Markets Served (unaudited)

Consolidated net sales comprise chemical specialty and other products classified by markets served as follows:

(Dollars in thousands)

	1996		1995		1994		1993		1992	
Steel..........	$118,988	50%	$103,765	46%	$ 90,549	47%	$ 89,255	46%	$ 94,483	44%
Metalworking...	84,657	35	85,949	38	68,576	35	57,826	30	58,719	28
Paper..........	14,659	6	16,049	7	13,010	7	12,169	6	15,042	7
Other..........	21,947	9	21,275	9	22,541	11	35,754	18	44,247	21
	$240,251	100%	$227,038	100%	$194,676	100%	$195,004	100%	$212,491	100%

Information on the Company's markets appears on page 6 of this report.

Quarterly Results (unaudited)

(Dollars in thousands, except per share amounts)

	First	Second	Third	Fourth
1996				
Net sales.....................	$58,203	$59,786	$61,813	$60,449
Operating income (loss)(1)....	3,163	4,132	(8,719)	(2,607)
Net income (loss)(2)..........	1,676	2,648	(5,881)	(6,042)
Net income (loss) per share...	$.19	$.31	$(.68)	$(.70)
1995				
Net sales.....................	$54,527	$59,035	$57,872	$55,604
Operating income..............	3,282	3,770	3,408	973
Net income....................	1,915	2,471	2,099	203
Net income per share..........	$.22	$.28	$.24	$.02
1994				
Net sales.....................	$45,093	$47,347	$50,117	$52,119
Operating income(3)...........	3,356	3,213	3,754	3,191
Net income....................	2,249	2,191	2,353	2,609
Net income per share..........	$.24	$.24	$.26	$.29

(1) The third and fourth quarters include repositioning charges of $13,100 and $6,130, respectively.
(2) The fourth quarter includes an asset impairment charge on equity investment of $3,445.
(3) The fourth quarter includes repositioning credits of $525.

Stock Market and Related Security Holder Matters

The Company's common stock is listed on the New York Stock Exchange ("NYSE"). Prior to August 23, 1996, the common stock was traded on the NASDAQ National Market. The following table sets forth, for the calendar quarters during the past two years, the range of high and low sales prices for the common stock as quoted on the NASDAQ National Market or as reported by the NYSE, and the quarterly dividends declared as indicated.

	Range of Quotations				Dividends Declared	
	1996		1995		1996	1995
	High	Low	High	Low		
First quarter	$15	$12 3/4	$19	$14 1/2	$.17	$.17
Second quarter	14 1/2	11 3/4	18	14 1/2		.17
Third quarter	15 1/4	11 3/4	17 1/2	15	.34 1/2	.17
Fourth quarter	17 1/4	14 5/8	18 1/2	11	.17 1/2	.17

As of January 15, 1997 there were 1,039 shareholders of record of the Company's common stock, $1.00 par value, its only outstanding class of equity securities.

Copies of the Company's Form 10-K for the year ended December 31, 1996 as filed with the Securities and Exchange Commission will be provided without charge on request to Quaker Chemical Corporation, Attention: Irene M. Kisleiko, Assistant Corporate Secretary, Conshohocken, PA 19428.

EXHIBIT 21

SUBSIDIARIES AND AFFILIATES OF THE REGISTRANT

Name	Jurisdiction of Incorporation	Percentage of voting securities owned directly or indirectly by Quaker
* Quaker Chemical Europe B.V.	Holland	100%
* Quaker Chemical B.V.	Holland	100%
+* Quaker Chemical Holdings UK Limited	United Kingdom	100%
* Quaker Chemical Limited	United Kingdom	100%
* Quaker Chemical S.A.	France	100%
** Quaker Chemical South Africa (Pty.) Limited	Republic of South Africa	50%
* Quaker Chemical, S.A.	Spain	100%
* Quaker Chemical, S.A.	Argentina	100%
+ Quaker Chemical Participacoes, Ltda.	Brazil	100%
* Quaker Chemical Industria e Comercio Ltda.	Brazil	90%
** Kelko Quaker Chemical, S.A.	Venezuela	50%
* Quaker Chemical Limited	Hong Kong	100%
* Wuxi Quaker Chemical Company Limited	China	60%
+* Quaker Chemical South East Asia Pte. Ltd.	Singapore	100%
** Nippon Quaker Chemical, Ltd.	Japan	50%
* Quaker Chemical (Australasia) Pty. Limited	State of New South Wales, Australia	51%
** TecniQuimia Mexicana S.A. de C.V.	Mexico	40%
+* SB Decking, Inc. (formerly Selby, Battersby & Co.)	Delaware, U.S.A.	100%
* Quaker Chemical Corporation	Delaware, U.S.A.	100%
+ Quaker Chemical Management, Inc.	Delaware, U.S.A.	100%
* AC Products, Inc.	California, U.S.A.	100%
** Fluid Recycling Services Company	Michigan, U.S.A.	50%

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+ A nonoperating company.
* Included in the consolidated financial statements.
** Accounted for in the consolidated financial statements under the equity method.

EXHIBIT 23

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 2-57924, No. 33-54158, and No. 33-51655) of Quaker Chemical Corporation of our report dated February 13, 1997 appearing on page 31 of the 1996 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Philadelphia, PA
March 27, 1997

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